

City of Kankakee, Illinois

**Comprehensive
Annual Financial Report
for the Fiscal Year Ended
April 30, 2004**

Prepared by:
The Comptroller's Office
James A. Spice
Comptroller

**CITY OF KANKAKEE, ILLINOIS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED APRIL 30, 2004**

TABLE OF CONTENTS

	<u>Page</u>
Table of Contents	i- iv
 <u>INTRODUCTORY SECTION</u> 	
Letter of Transmittal	I -VII
List of Officers and Officials	VIII
Organizational Chart	IX
Certificate of Achievement	X
 <u>FINANCIAL SECTION</u> 	
Independent Auditors' Report	1 - 2
Management's Discussion and Analysis	3-13
<u>Basic Financial Statements</u>	
Statement of Net Assets	14
Statement of Activities	15-16
Balance Sheet - Governmental Funds	17
Reconciliation of Total Governmental Fund Balance to Net Assets of Governmental Activities	18
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds	19
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to Statement of Activities	20
Statement of Fund Net Assets - Proprietary Funds	21
Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds	22
Statement of Cash Flows - Proprietary Funds	23-24
Statement of Fiduciary Net Assets - Pension Trust Funds	25

**CITY OF KANKAKEE, ILLINOIS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED APRIL 30, 2004**

TABLE OF CONTENTS

	<u>Page</u>
Statement of Changes in Fiduciary Net Assets - Pension Trust Funds	26
Combining Statement of Net Assets - Component Units	27
Combining Statement of Activities - Component Units	28-29
Notes to Financial Statements	30-68
 <u>Required Supplemental Information</u>	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	69
Schedule of Revenues and Comparison to Budget - General Fund	70
Schedule of Expenditures and Comparison to Budget - General Fund	71-72
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Band Fund	73
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Park Fund	74
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - IMRF Fund	75
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Special Service Area No. 2 Fund	76
Schedule of Funding Progress - Illinois Municipal Retirement Fund	77
Schedule of Funding Progress - Police Pension Plan	78
Schedule of Funding Progress - Firemen's Pension Plan	79
Schedule of Employer Contributions - Police Pension Fund	80
Schedule of Employer Contributions - Firemen's Pension Fund	81
 <u>Combining and Individual Fund Financial Statements and Supplemental Schedules</u>	
Combining Balance Sheet - Nonmajor Governmental Funds	82

**CITY OF KANKAKEE, ILLINOIS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED APRIL 30, 2004**

TABLE OF CONTENTS

	<u>Page</u>
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	83
Combining Balance Sheet - Nonmajor Special Revenue Funds	84-86
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds	87-89
Combining Balance Sheet - Nonmajor Debt Service Funds	90-92
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Debt Service Funds	93-95
Combining Statement of Fiduciary Net Assets - Pension Trust Funds	96
Combining Statement of Changes in Fiduciary Net Assets - Pension Trust Funds	97
Property Taxes Receivable - 2003 Levy to be Collected in 2004	98
Schedule of Revenue Bonds Payable	99-100
Schedule of General Obligation Bonds Payable	101-105

STATISTICAL SECTION

General Fund Revenues by Source (Unaudited)	106
General Fund Expenditures by Function (Unaudited)	107
Property Tax Levies and Collections (Unaudited)	108
Assessed Valuation and Estimated Actual Value of Taxable Property (Unaudited)	109
Property Tax Rates - Per \$100 Assessed Valuation - Direct and Overlapping Government (Unaudited)	110
Special Assessment Collections (Unaudited)	111
Ratio Net Direct General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita (Unaudited)	112
Statement of Direct and Overlapping Debt (Unaudited)	113

**CITY OF KANKAKEE, ILLINOIS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED APRIL 30, 2004**

TABLE OF CONTENTS

	<u>Page</u>
Ratio of Debt Service Expenditures to General Expenditures (Unaudited)	114
Computation of Legal Debt Margin (Unaudited)	114
Schedule of Revenue Supported Bond Coverage (Unaudited)	115
Miscellaneous Statistical and Demographic Data (Unaudited)	116
Property Value, Construction and Bank Deposits (Unaudited)	117
Principal Taxpayers (Unaudited)	118
Largest Regional Employers (Unaudited)	119
Unemployment Data (Unaudited)	119

SINGLE AUDIT SECTION

Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	120-121
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A- 133	123-123
Schedule of Expenditures of Federal Awards	124-127
Schedule of Findings and Questioned Costs	128

Introductory Section



Comptroller
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October 4, 2004

Honorable Mayor, City Aldermen, and citizens of the City of Kankakee:

The Comprehensive Annual Financial Report (CAFR) of the City of Kankakee, Illinois for the fiscal year ended April 30, 2004 is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City of Kankakee. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds, account groups and component units of the City of Kankakee. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The CAFR is presented in four sections:

Introductory – Includes this transmittal letter, a list of the City's principal officials, the City's organizational chart, and the 2003 Certificate of Achievement for Excellence in Financial Reporting;

Financial – Contains management's discussion and analysis, the basic financial statements, required supplementary information, combining and individual fund presentations, and the independent auditors' report on those financial statements and schedules;

Statistical – Displays selected financial and demographic information, generally presented on a multi-year basis, and supplementary bond debt service schedules and continuing disclosure information in accordance with requirements under the SEC and MSRB;

Single Audit – Provides information related to a single audit in conformity with provisions of the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations* that the City of Kankakee is required to undergo annually as a result of the City's participation in a number of federally assisted grant programs. This Single Audit section includes a schedule of expenditures of federal awards, the independent auditors' reports on internal control and compliance with applicable laws and regulations, and a schedule of findings and questioned costs.

The financial statements included in this report are distinctly different in form than those issued in prior years. This is because the statements have been prepared in accordance with Statement No. 34 (Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments) of the Governmental Accounting Standards Board (GASB).

The GASB is an organization that establishes accounting and financial reporting standards for state and local governments in the United States. GASB Statement No. 34 significantly changed the required format for governmental statements in a number of ways. The most significant of these changes was to require that governments prepare entity-wide financial statements in addition to the fund-based financial statements that governments have traditionally prepared. The entity-wide financial statements attempt to present a government's financial position and results of operations in a manner similar to a business. More information about this "new financial reporting model" is provided in Management's Discussion and Analysis (MD&A) located in the Financial Section of this report.

This report includes all the funds of the City of Kankakee (the primary government), as well as its component units, the Kankakee Public Library and Special Service Area #1. Component units are autonomous entities for which the primary government is financially accountable.

The Reporting Entity and its Services

The City of Kankakee was incorporated in 1865 and operates as a home rule municipality pursuant to the 1970 Illinois Constitution. The City is governed by an elected mayor and a City Council comprised of 14 aldermen. Two aldermen are elected from each of the City's seven wards for four-year terms. Mayoral elections are held every four years.

The City provides a full range of public services including: public safety (police, fire, and emergency ambulance), street and public infrastructure maintenance, sanitation, sanitary sewer collection, storm drainage, health and social services, culture and recreation, municipal planning and zoning, and general administrative services. Water service is provided by Aqua Illinois Water Company, a private utility. Wastewater treatment service is provided by the Kankakee River Metropolitan Agency ("KRMA"), which is jointly owned and operated by the City and the neighboring Villages of Bradley, Bourbonnais and Aroma Park.

The City of Kankakee is located in Kankakee County, approximately 60 miles south of Chicago in the northeastern section of the State of Illinois. The City has recently extended its boundaries in a southerly direction through annexation. Since 1990, the area of the City has grown from 10.2 square miles to the current 13.7 square miles, an increase of 34% in land area. The City acts as the industrial and service center for the Kankakee metropolitan area. With a current population of 27,491 (2000 U.S. Census), the City operates as the center of a metropolitan populace of approximately 65,000 people, and is the county seat of Kankakee County, which has a population of 103,833 people.

One of the City's greatest assets from an economic and recreational standpoint is the Kankakee River, which flows in a northwesterly direction through the middle of the City from Indiana toward the Illinois River. At the point where it flows through the City, the river is about $\frac{1}{4}$ of a mile wide. There are several City parks along the river's edge that provide for public fishing and boating activities. At the end of each summer, the City holds a regatta on the river which draws many boaters and tourists to the area. The Kankakee River State Park, which covers an area of about 4,000 acres, is located about seven miles northwest of the City. The park attracts thousands of tourists to the area annually.

Accounting System and Budgetary Control

The financial records of the City are organized and maintained as several funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The City's accounting records are generally maintained on the cash basis of accounting. Under the cash basis of accounting, revenues are recorded when received and expenditures are recorded when a payment that draws upon current financial resources is created. After the end of the fiscal year, the City's management makes certain adjustments to the accounting records to permit the City to present financial statements at the entity-wide level. Those statements use the accrual basis of accounting in compliance with GASB Statement No. 34. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when incurred. The accrual accounting records are the basis for assessing budgetary compliance.

Management of the City is responsible for establishing and maintaining an internal control structure to provide assurance that: 1) the City's assets are safeguarded against loss from unauthorized use or disposition; and 2) to assure that the accounting system compiles reliable financial data for the preparation of financial statements in conformity with generally accepted accounting principles. Internal accounting controls are designed to provide reasonable, but not absolute, assurance that these objectives will be met. The concept of reasonable assurance recognizes that 1) the cost of a control should not exceed the benefits likely to be derived; and 2) the evaluation of the costs and benefits requires estimates and judgments by management.

In addition, the City maintains budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual budget and appropriation ordinance approved by the City Council. The City follows these procedures in establishing the level of budgetary control:

1. Prior to July 1, the City Council's budget committee submits to the City Council a proposed operating budget for the fiscal year which had commenced May 1.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to August 1, the budget is legally enacted through the passage of the annual appropriation ordinance. This ordinance places legal restrictions on expenditures at the department level for the General Fund and at the fund level for the special revenue funds. Once approved, the City Council may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations.
4. Revenues are budgeted by source. Although legal restrictions on expenditures are established at the department level for the General Fund and at the fund level for Special Revenue Funds, effective administrative control over expenditures is maintained through the establishment of more detailed line-item budgets such as personal services, materials and supplies, capital outlay, contractual and debt service. Expenditures are budgeted by fund and department and classified by function, activity and/or program. Management may transfer budgeted amounts between line items within a department in the General Fund and within a fund in the Special Revenue Funds without the approval of the City Council. No material supplemental budget appropriations were made during the fiscal year ended April 30, 2004.

5. All budgets are adopted on an accrual basis of accounting. Unencumbered and unexpended appropriations lapse at fiscal year end.

Single Audit

As a recipient of federal and state financial assistance, the City is responsible for making sure that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to these programs. Management periodically evaluates the internal control structure.

Major Initiatives and Economic Outlook

Employment opportunities in the City are diverse. On the private side, several companies in the Kankakee metropolitan area are manufacturing divisions of Fortune 500 companies making a variety of products. Many of these industries compete in national and international markets. Major regional employers include Armstrong World Industries, Cognis Corporation, K-Mart and Sears Distribution Centers, Wal-Mart, Aventis Behring, Rohm & Haas, CIGNA Insurance Claims Processing Center, Baker and Taylor, Provena St. Mary's, Super K-Mart, Riverside Medical Center and Shapiro Developmental Center.

The Kankakee metropolitan area has benefited from the investment in commercial activity. In August 1990, Northfield Square opened on the outskirts of the City. Northfield Square is a sizable mall, and includes Sears, JC Penny, and Carson Pirie Scott anchor stores. The mall itself employs about 1,000 people. Several other stores and establishments that are nationally recognized have operations located in the area. They include Holiday Inn Express, Lees Inn, Fairfield Inn, Hampton Inn, Toys "R" Us, Red Lobster, Pizza Hut, Pier 1 Imports, Lone Star Steak House, Cracker Barrel, TGI Fridays, Old Country Buffet, Target, Barnes & Noble Booksellers, and Staples.

In 2003, the City initiated redevelopment at Exit 308 on the southern border of the City. The project will initially bring a Hilton Garden Inn hotel/convention center complex (completed late Summer 2004). The entire project, when it is completed, will include retail stores, a restaurant and other commercial establishments. There is optimism that this project will anchor additional commercial and residential growth in south Kankakee.

In fiscal year 2000, the City entered into sales tax sharing agreements with various retail firms. These agreements have begun to provide substantial amounts of additional sales tax revenues to the City's General Fund. This tax sharing program is based on a company's willingness to site a purchasing and/or sales approval office within the boundaries of the City. The agreements provide that the City will share a portion of the local share of sales taxes that are generated on the transactions of the partnering companies. The City ranked as the 11th highest among all Illinois cities for annual retail sales tax receipts for the period of 4th quarter 2002 through the 3rd quarter 2003 (as reported in the Quarterly Report of Sales Tax Receipts by Standard Industrial Classification produced by the Illinois Department of Revenue).

Other significant economic events during the past few years include the following:

- approval and implementation of the Downtown/Eastside Master Plan, developed by the Lakota group for improvements to the eastern entrance/corridor of the City and the downtown area
- completion of approximately \$25 million in curb, gutter, sidewalk, and other capital improvements and additions throughout the City
- a \$5 million investment on West Court Street to the Provena/St. Mary's Hospital that included demolition of an existing building and new facility construction, including additional green space
- leasing of 150,000 square feet of the formerly idle Roper manufacturing facility by Daimler-Chrysler for the warehousing and retooling of equipment
- the completion of the new public library in the downtown Executive Center
- completion of a new aquatic complex (water slides, a "lazy river", and a zero-depth pool (pool with beach-like entrance))
- completion of a four-story parking garage at Riverside Hospital; and additional expansion of the medical facilities for outpatient care and physician offices is ongoing at a total estimated investment of \$24 million
- replacement of the temporary Fine Arts and Sciences Center at Kankakee Community College with a \$6.7 million facility financed by a state grant
- construction of a \$9 million education and workforce training facility financed jointly by the Kankakee Community College and a state grant of \$1 million is nearing completion

Future economic activities include:

- a proposed development of town homes on river frontage near the downtown area
- announcement that a new office for Peoples Bank will be constructed at Court and Dearborn Streets
- a state and county cooperative study is being conducted to determine the feasibility of extending commuter rail service from Chicago
- a study, funded in part by a grant from Commonwealth Edison, to develop strategies for attracting residential developers is being conducted
- State of Illinois roadwork (reconstruction of Station Street bridge over the Kankakee River at a cost of over \$4 million, and additional improvements to the I-57 Kankakee exit 312)
- the proposed development of a \$40 million manufacturing facility by a roofing supply manufacturer with potential for 55 new full time jobs
- construction of a \$6.6 million ice arena and fitness center (including locker rooms, laundry facilities, a scoreboard, ticket office, concession center, and a 2,000-square foot fitness center) on River Road to be financed by a state grant
- replacement of the North 5th Avenue bridge and roadway over Soldier Creek financed in part by a \$500,000 state grant

Pension Trust Funds and Post Employment Benefits

Sworn police and fire personnel receive retirement and disability benefits from the City of Kankakee Police Pension Fund and the City of Kankakee Firefighters Pension Fund, respectfully. Both of the plans associated with these funds are single-employer plans administered by local boards of trustees. Illinois State Statutes govern the defined benefits and employer and employee

contribution levels. Police plan participants are required to contribute 9.91% of their base salaries and firefighter plan members contribute 9.455% of their base salaries to the respective plans. The City is required to contribute the remaining amounts necessary to finance the plans as determined by an enrolled actuary. The City currently contracts with Timothy W. Sharpe, an enrolled actuary, to perform an actuarial valuation for the funds. The City annually makes employer contributions to both the Police Pension Fund and the Firefighters Pension Fund in amounts that fully satisfied actuarial recommendations. State statutes require that each plan must be fully funded by the year 2033.

Full-time and part-time employees, other than sworn police officers and firefighters, who work at least 600 hours per year are covered by the Illinois Municipal Retirement Fund (IMRF), a state-wide pension plan. IMRF acts as a common investment and administrative agent for local governments in Illinois.

State statutes establish benefit provisions and funding requirements for IMRF covered employees. Participating employees are required to contribute 4.5% of their annual salary and the City is required to contribute the remaining amounts necessary to fund the various benefits provided by the plan for the City's employees. The City's contribution rate changes annually.

The notes to the financial statements and the required supplementary information provide more information pertaining to employee pensions. The City also provides post-retirement health care benefits for certain retirees and their dependents. The City finances these benefits on a pay-as-you-go basis.

Cash Management

The City has a formal investment policy and procedure guide designed to guide the Finance Department as to the types of permitted investments as well as the amount allowed in each investment type. This helps insure minimal credit and market risk while permitting the achievement of competitive investment yields. The City uses investments that are permitted by State Statute and City policy. The City's non pension fund investment instruments include money market funds, interest bearing checking accounts, certificates of deposit, U.S. Treasury securities and U.S. government agencies.

Risk Management and Health Insurance

The City of Kankakee utilizes conventional outside insurance to cover its exposure to worker's compensation and liability claims with standard retention levels. In addition, a safety committee conducts prevention activities in order to minimize the City's exposure to risks.

The City provides HMO and PPO health insurance plans for its employees and their dependents through a private insurer. It also provides private insurer group life insurance for its employees. The City provides payroll deduction for those employees interested in participating in a voluntary dental and/or vision insurance plan.

Independent Audit

Illinois Compiled Statutes require an annual audit of the City's books of account, financial records, and transactions by an independent certified public accountant. The Certified Public Accounting firm of Payne, Gray, Groskreutz and Schmidt performed the audit of the records of the City for the fiscal year ending April 30, 2004. Their report is included herein.

As a recipient of various federal and state financial assistance programs, the City of Kankakee is also required to have an annual audit of certain major federal grant programs performed under the OMB Circular A-133. This audit contains information concerning whether grant activity is presented fairly in the general purpose financial statements, whether internal control is sufficient to provide reasonable assurance that the funds are managed properly, and whether material grant compliance requirements have been met. The Federal Single Audit is also included in this report.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Kankakee, Illinois for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended April 30, 2003. This was the seventh consecutive year that the City of Kankakee has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to conform to the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgements

The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated services of the entire staff (Jeannette Holden, Maureen Kambic, Sandy Leppert, and Tamie Seedorf) of the Comptroller's Office. I especially appreciate their dependability, the routine manner in which they each consistently, effectively and accurately maintain their work. Timely and fairly presented financial statements and reports are essential to legislative officials, creditors, financial analysts, the general public and others having need for government financial information. We would like to express our appreciation to the Mayor and City Aldermen for supporting this office's efforts to plan and conduct the City's financial operations in a responsible and progressive manner. We would also like to express our appreciation to the firm of Payne, Gray, Groskreutz, and Schmidt for their professionalism, expertise, and assistance in the preparation of this report.

Respectfully submitted,
James A. Spice
Comptroller

City of Kankakee, Illinois
Officers and Officials
April 30, 2004

Elected Officials

Mayor

Donald E. Green (1993 – 2005)

Council Members

First Ward

James R. Cox (1985 – 2007)

Jess C. Gathing, Jr. (2001 – 2005)

Second Ward

JoAnne Schwade (1991 – 2007)

Jeff Kinkade (2001 – 2005)

Third Ward

John Trost (1999 – 2007)

Richard Diersen (2000 – 2005)

Fourth Ward

Kenneth Hearn (1997 – 2005)

Danita Grant Swanson (1987 – 2007)

City Clerk

Anjanita Dumas (2001 – 2005)

Fifth Ward

Hank Williams (2001 – 2005)

Sam Ciaccio (2003 – 2007)

Sixth Ward

Dennis Baron (1987 – 2007)

Nina Epstein (2001 – 2005)

Seventh Ward

Steven Hunter (1973 – 2005)

P. Carl Brown (2001 – 2007)

Appointed Officials

Michael Kinkade

Police Chief

Richard Kamerad

Fire Chief

Bert Dear

Public Works Superintendent

David Tyson

City Engineer

Larry Nolan

Community Development Director

Richard Simms

Municipal Utility Superintendent

Karen Campbell

Treasurer

Cindy Fuerst

Librarian

Chris Bohlen

Chief Legal Counsel

L. Patrick Powers

City Attorney

Kenneth A. Leshen

Assistant City Attorney

James Gordon

Personnel Director

David Schaeffer

Code and Planning Director

James A. Spice

Comptroller

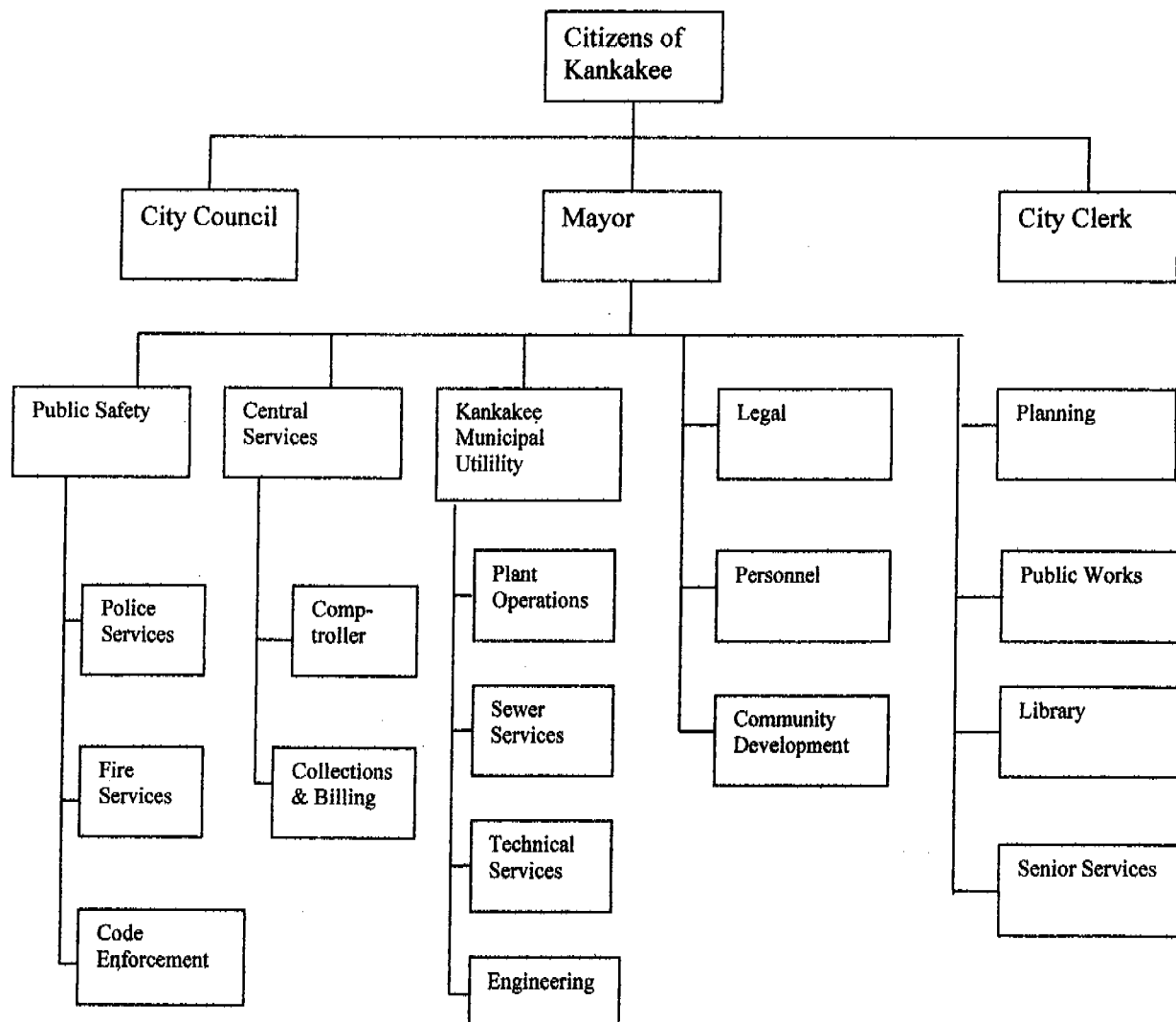
Julie Herscher

Senior Services and Victim's

Assistance Director

City of Kankakee, Illinois

Organizational Structure



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Kankakee,
Illinois

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
April 30, 2003

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

Financial Section



ACCOUNTANTS AND CONSULTANTS

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Kankakee, Illinois 60901
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Fax: (815) 933-2316
www.cpa-kankakee.com

PARTNERS

Bruce W. Payne, C.P.A.
Michael V. Gray, C.P.A.
Larry D. Grosckreutz, C.P.A.
Stephen P. Schmidt, C.P.A.

INDEPENDENT AUDITORS' REPORT

To the City Council
Kankakee, Illinois

We have audited the accompanying basic financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the

CITY OF KANKAKEE, ILLINOIS

as of and for the year ended April 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Kankakee, Illinois' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Kankakee, Illinois, as of April 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2004, on our consideration of the City of Kankakee, Illinois' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The City has adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - For State and Local*

Governments, Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments: Omnibus, Statement No. 38, Certain Financial Statement Note Disclosures and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements, as of May 1, 2003. This results in a change in the City's format and content of the basic financial statements and notes to financial statements.

The management's discussion and analysis and the required supplementary information listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The introductory section, combining and individual nonmajor fund financial statements, schedules and statistical data listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City of Kankakee, Illinois. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City of Kankakee, Illinois. Such information, except for the portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Payne, Gray, Groskreutz & Schmidt

September 30, 2004



Comptroller
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MANAGEMENT'S DISCUSSION AND ANALYSIS

APRIL 30, 2004

The City of Kankakee (the "City") presents the following Management Discussion and Analysis (MD&A). The MD&A is designed to 1) assist the reader in focusing on significant financial issues, 2) provide an overview of the City's financial activity, 3) identify changes in the City's financial position (its ability to address the subsequent years' challenges) 4) identify any material deviations from the financial plan (the approved budget), and 5) identify individual fund issues or concerns.

Since the Management Discussion and Analysis is designed to focus on the current year's activities, resulting changes, and currently known facts, please read it in conjunction with the Transmittal Letter (beginning on page I) and the City's financial statements (beginning on page 14). This is the City of Kankakee's first Management Discussion and Analysis.

USING THE FINANCIAL SECTION OF THIS COMPREHENSIVE ANNUAL REPORT

In the past, the primary focus of local government financial statements has been summary information by fund type on a current financial resource basis. This approach has been modified, and for the first time, the City's Financial Statements present two kinds of statements, each with a different snapshot of the City's finances. The new Financial Statements' focus is on both the City as a whole (government-wide) and on the major individual funds. Both perspectives (government-wide and major fund) are designed to allow the user to address relevant questions, to provide a broader basis for comparison (year to year or government to government), and to enhance the City's accountability.

Government-wide Financial Statements

The Government-wide Financial Statements (see pages 14-16) are designed to emulate the corporate sector in that all governmental and business-type activities are consolidated into columns that add to a total for the Primary Government. The focus of the Statement of Net Assets (the "Unrestricted Net Assets" of the City) is designed to be similar to the corporate sector bottom line results in reporting for the City and its governmental and business-type activities. This statement, for the first time, combines and consolidates governmental funds' current financial resources (short-term spendable resources) with capital assets and long-term obligations, using the accrual basis of accounting and economic resources measurement focus. Over time, increases or decreases in net assets may serve as a useful indicator of whether or not the financial position of the City is improving.

The Statement of Activities (see pages 15-16) presents information showing how the City's net assets changed during the most recent fiscal year and is focused on both the gross and net cost of various activities (including governmental and business-type), which are supported by the City's general taxes

and other resources. This statement is intended to summarize and simplify the user's analysis of the cost of various government services and/or subsidy of various business-type activities.

The governmental activities reported in the Governmental Funds section reflect the City's basic services, including police, fire, public works (highways and streets), community development and general administration. Property taxes, State shared sales, income, replacement, and motor fuel taxes, and local utility taxes finance the majority of these activities. The business-type activities reported in the Proprietary Funds section reflect the private sector-type operations for the Kankakee Municipal Utility (waste water and solid waste collection services) and the Motor Vehicle Parking Fund, where the fee for service typically covers all or most of the cost of operation, including depreciation.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. The Fund Financial Statement sections provide information on the sources and uses of financial resources and/or the City's budgeting compliance associated therewith. Traditional users of governmental financial statements should find the Fund Financial Statements presentation to be more familiar. The focus is now on major funds, rather than (in the previous model) fund types.

Governmental Funds

The Governmental Major Fund presentation (see pages 17-20) is presented on a sources and uses of liquid resources basis. This is the manner in which the financial plan (the budget) is typically developed. The flow and availability of liquid resources is a clear and appropriate focus for any analysis of a government. The focus of governmental funds is narrower than that of the Government-Wide Financial Statements. The Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance provide a reconciliation to facilitate the comparison between governmental funds and governmental activities. The Governmental Major Funds total column requires reconciliation because of the use of a different measurement focus (current financial resources versus total economic resources). The flow of current financial resources recognizes bond proceeds and interfund transfers as other financial sources, and capital expenditures and bond principal payments as expenditures. The reconciliation eliminates these transactions and incorporates the capital assets and long-term obligations (bond and others) into the Governmental Activities column (in the Government-Wide Statements).

The City maintains 32 individual governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the major funds, identified as the General Fund, the Tax Increment Financing District No. 8 Fund, and the Capital Projects Fund. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non major governmental funds is provided in the form of combining statements elsewhere in this report.

Proprietary Funds

The City maintains enterprise funds (one type of proprietary funds) to report the same functions presented as business-type activities in the Government-Wide Financial Statements. Proprietary Fund Financial Statements do provide greater detail than Government-Wide Financial Statements. Both of

the proprietary funds, the Kankakee Municipal Utility (waste water and solid waste collection services) and the Motor Vehicle Parking Fund, are separately presented in the Proprietary Fund Financial Statements.

Fiduciary Funds

The City accounts for its Police Pension Fund, Firefighters Pension Fund, and in separate funds for each of its Tax Increment Financing Districts Nos. 1,2,3,4,5,6,7 and 8 (see pages 25-26) as fiduciary funds. Fiduciary funds are used to recognize the trust responsibilities of the government, as the assets of these funds are restricted in purpose and do not represent discretionary assets of the government. Therefore, fiduciary fund assets are not presented as part of the Government-Wide Statements.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Government-Wide and Fund Financial Statements. The Notes to the Financial Statements can be found on pages 30 - 68.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information including the major governmental fund budgetary schedules and data concerning the City's progress in funding its obligations to provide pension benefits to its employees. Required supplementary information can be found on pages 69-81 of this report. The combining and individual fund statements for non-major governmental, enterprise, and fiduciary funds are presented on pages 82-105 of this report, immediately following the required supplementary information.

Infrastructure Assets

Historically, a government's largest group of assets (infrastructure -- roads, bridges, storm sewers, etc.) have neither been reported nor depreciated in governmental financial statements. The GASB Statement No. 34 now requires that these assets be valued and reported within the Governmental column of the Government-wide Statements. Additionally, the government must elect to either 1) depreciate these assets over their estimated useful life or 2) develop a system of asset management designed to maintain the service delivery potential to near perpetuity. The City has chosen to depreciate assets over their useful life.

If an improvement project is considered a recurring cost that does not extend the asset's original useful life or expand its capacity, the cost of that project will be expensed. For example, an "overlay" of a road will be expensed, whereas a "rebuild" of a road will be capitalized.

GOVERNMENT-WIDE STATEMENT

In accordance with GASB Statement No. 34, the City is not required to restate prior periods for the purpose of providing comparative information. However, in future years, when prior year information is available, a comparative analysis of government-wide information will be presented.

Statement of Net Assets

Net assets may serve, over time, as a useful indicator of a government's financial position. In the case of the City of Kankakee, liabilities exceeded assets by \$17,964,513 as of April 30, 2004. The following table reflects the condensed Statement of Net Assets:

Table 1: Statement of Net Assets as of April 30, 2004

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Primary Government</u>
Assets			
Current Assets	\$ 22,556,353	\$ 5,405,703	\$ 27,962,056
Non-current Assets	7,900,584	30,819,543	38,720,127
Total Assets	30,456,937	36,225,246	66,682,183
Liabilities			
Current Liabilities	17,586,943	717,247	18,304,190
Non-current Liabilities	59,270,677	7,071,829	66,342,506
Total Liabilities	76,857,620	7,789,076	84,646,696
Net Assets			
Invested in Capital Assets, Net of Debt	6,240,803	18,455,154	24,695,957
Restricted	6,831,023	2,199,162	9,030,185
Unrestricted	(59,472,509)	7,781,854	(51,690,655)
Total Net Assets	\$ (46,400,683)	\$ 28,436,170	\$ (17,964,513)

For more detailed information, see the Statement of Net Assets (page 14).

The City's combined net assets (which is the City's bottom line) decreased to \$(17,964,513) from \$(16,305,598) because of the governmental activities decreasing \$5,630,373 and business-type activities increasing \$3,971,458. Net assets of the City's governmental funds were \$(46,400,683). The City's unrestricted net assets for governmental activities, the part of net assets that can be used to finance day-to-day operations, were \$(59,472,509).

The net assets of business-type activities were \$28,436,170. The City can use the unrestricted net assets of \$7,781,854 to finance the continuing operation of its municipal utility and its municipal parking lot.

Normal Impacts, Statement of Net Assets

There are six basic (normal) transactions that will affect the comparability of the Statement of Net Assets. They include:

Net Results of Activities – will impact (increase/decrease) current assets and unrestricted net assets.

Borrowing for Capital – will increase current assets and long-term debt.

Spending Borrowed Proceeds on New Capital – will reduce current assets and increase capital assets. There is a second impact, an increase in invested capital assets and an increase in related net debt, which will not change the invested in capital assets, net of debt.

Spending of Non-borrowed Current Assets on New Capital – will a) reduce current assets and increase capital assets and b) will reduce unrestricted net assets and increase invested in capital assets, net of debt.

Principal Payment on Debt – will a) reduce current assets and reduce long-term debt and will b) reduce unrestricted net assets and increase invested in capital assets, net of debt.

Reduction of Capital Assets through Depreciation – will reduce capital assets and invested in capital assets, net of debt.

The specific impacts for the City of Kankakee are detailed on page 20 for the current year changes and on page 18 for the cumulative change in net assets.

Table 2: Changes in Net Assets for the Fiscal Year Ended April 30, 2004

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Primary Government</u>
Revenues			
Program Revenues			
Charges for Service	\$ 2,783,204	\$ 7,930,135	\$ 10,713,339
Operating Grants	2,675,738		2,675,738
Capital Grants	87,975		87,975
			-
General Revenues			-
Property Taxes	8,601,168		8,601,168
Sales Taxes	4,297,631		4,297,631
Other Taxes	5,666,107		5,666,107
Other Revenue and Transfers	1,292,005	4,798,729	6,090,734
Total Revenues	25,403,828	12,728,864	38,132,692
Expenses			
General Government	4,934,200		4,934,200
Public Safety	11,337,768		11,337,768
Public Works	2,076,822		2,076,822
Other Expenses and Transfers	10,164,206		10,164,206
Debt Service	2,521,204		2,521,204
Waste Water Utility		8,756,344	8,756,344
Parking		1,062	1,062
Total Expenses	31,034,201	8,757,406	39,791,607
Changes in Net Assets	\$ (5,630,373)	\$ 3,971,458	\$ (1,658,915)

Normal Impacts, Revenues and Expenses

The eight basic impacts on revenues and expenses include:

Revenues:

Economic Condition – can reflect a declining, stable, or growing economic environment and has a substantial impact on state income, sales, and utility tax revenue, as well as public spending habits for building permits, elective user fees, and volumes of consumption.

Increase/Decrease in City Approved Rates – while certain tax rates are set by statute, the City Council has significant authority to impose and periodically increase/decrease rates (property taxes, water, utility tax rates, sewer charges, impact fees, building fees, etc.).

Changing Patterns in Intergovernmental and Grant Revenue (both recurring and non-recurring) – certain recurring revenues (State-shared revenues, etc.) may experience significant changes periodically while non-recurring (or one-time) grants are less predictable and often cause distortions in year-to-year comparisons.

Market Impacts on Investment Income – the City's investment portfolio is managed using a similar average maturity to most governments. Market conditions may cause investment income to fluctuate.

Expenses:

Introduction of New Programs – within the functional expense categories (General Government, Public Safety, Public Works, etc.), individual programs may be added or deleted to meet changing community needs.

Increase in Authorized Personnel – changes in service demand may cause the City Council to increase/decrease authorized staffing. Staffing costs (salary and related benefits) represent over 75% of the City's General Fund expenditures.

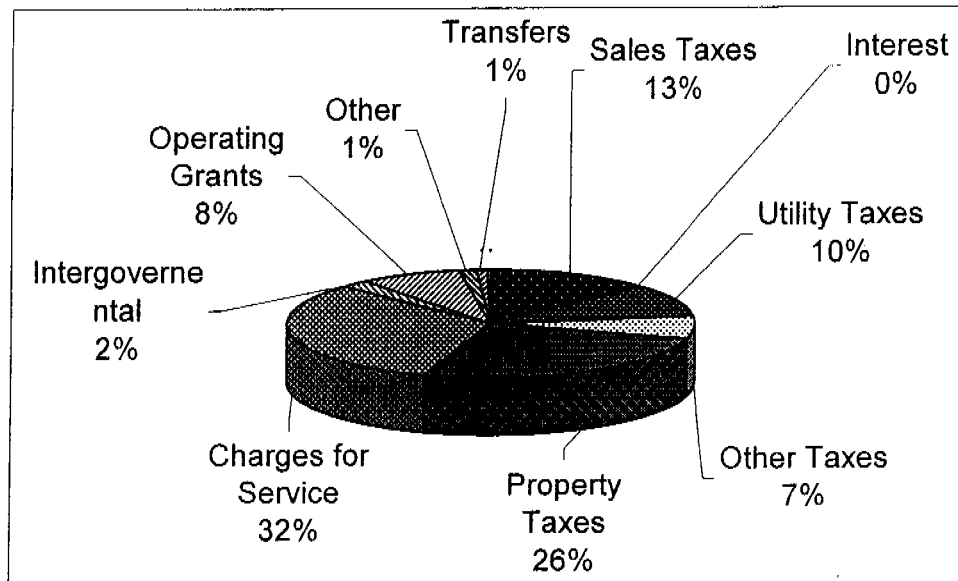
Salary Increases (annual adjustments and promotions) – the ability to attract and retain human and intellectual resources requires the City to strive to approach a competitive salary range position in the marketplace.

Inflation – while overall inflation appears to be reasonably modest, the City is a major consumer of certain commodities such as supplies, fuels, and parts. Some functions may experience unusual commodity-specific increases.

Current Year Impacts, Revenues and Expenses

Governmental Activities

Revenues: The following revenue categories comprise the City's Governmental Activities -



For the fiscal year ended April 30, 2004, revenues from Governmental Activities totaled \$33,017,135. During the fiscal year, sales taxes continue to be the City's single largest revenue source coming in at \$4,297,631 and representing 13% of total Governmental Activity revenue. Property taxes combined with the local utility tax and shared state income tax revenue total \$14,267,275, representing 43.2% of the total Governmental Activity revenue.

Changes to Net Assets

The following chart shows the revenue and expenses of the City's activities and the resulting changes in Net Assets:

The City increased its property tax revenue for general operations, police and fire pension, and debt service from \$7,163,360 in fiscal year 2003 to \$8,601,168 in fiscal year 2004, an increase of \$1,437,808 or 20.0%. This increase was primarily a result of an increase of the City's required contribution to its police and fire pension funds, which was an increase of 16.8%. Debt service property tax requirements crease 8.21%. Furthermore, the assessed value of property increased 1.3%.

General Fund

While the analysis of net assets is an important factor in reviewing an entity's financial statements, another aspect is fund balance. The City's General Fund unreserved fund balance was \$2,216,428 or 13% of General Fund expenditures. This was an increase of \$391,504 from the previous year.

Equalized Assessed Valuations

<u>Levy Year</u>		<u>Total</u>	<u>Increase</u>	<u>% Increase</u>
2001	\$	219,866,912	\$ 7,489,097	3.5%
2002		225,445,538	5,578,626	2.5%
2003		228,353,812	2,908,274	1.3%

The state per-capita shared revenues of the income and replacement taxes provided a small increase over the previous fiscal year as shown in the chart below.

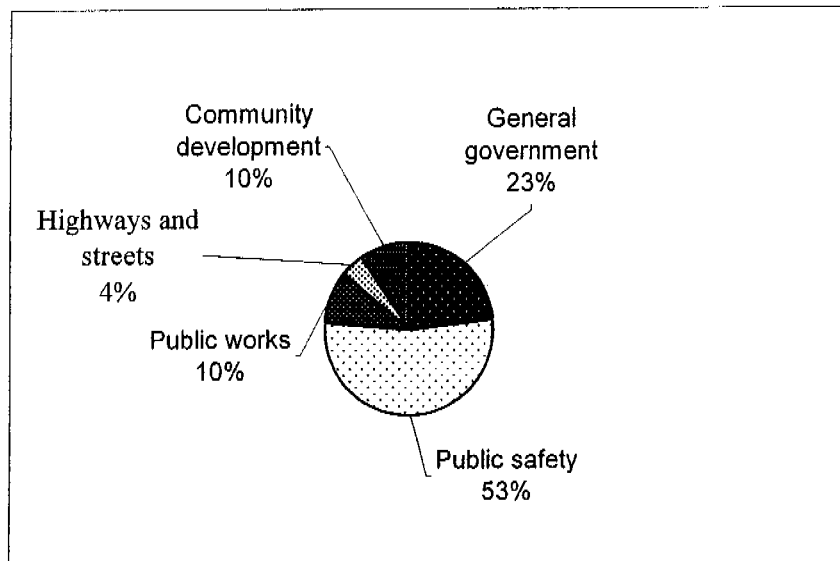
	<u>Fiscal Year</u>	<u>Fiscal Year</u>	<u>Revenue</u>	<u>%</u>
<u>State-Shared Tax</u>	<u>2003</u>	<u>2004</u>	<u>Change</u>	<u>Change</u>
State Income Tax	\$ 2,037,959	\$ 1,925,765	\$ (112,194)	-5.5%
Replacement Tax	407,750	458,437	50,687	12.4%
Total	\$ 2,445,709	\$ 2,384,202	\$ (61,507)	

The City's sales tax revenue (one percent share of the State collected tax) increased 17.9% during the fiscal year.

<u>Fiscal Year</u>	<u>Gross Accrued Amount Received</u>	<u>less Incentives Paid</u>	<u>Net Sales Tax</u>	<u>\$ Change</u>	<u>Percent Change</u>
1999	\$ 2,043,452		\$ 2,043,452		
2000	2,121,624		2,121,624	\$ 78,172	3.8%
2001	2,410,972	\$ 167,415	2,243,557	121,933	5.7%
2002	4,578,964	1,588,129	2,990,835	747,278	33.3%
2003	8,881,076	5,237,343	3,643,733	652,898	21.8%
2004	14,998,867	10,701,236	4,297,631	653,898	17.9%

As noted elsewhere in this report, the City entered into sales tax sharing agreements with various retail firms in fiscal year 2000. These agreements have begun to provide substantial amounts of additional sales tax revenues to the City's General Fund. This tax sharing program is based on a company's willingness to site a purchasing and/or sales approval office within the boundaries of the City. The agreements provide that the City will share a portion of the local share of sales taxes generated on the transactions of the partnering companies.

Expenses: The following categories comprise the City's Governmental expenditures:



For the fiscal year ended April 30, 2004, expenses from Governmental Activities totaled \$32,188,222. Public safety expenses represented 63.5% and public works activity represented 11.6% of the total General Fund expenditures of \$17,039,434.

Business-Type Activities

Revenues and Expenses:

Revenues declined in the utility by 3.5% in fiscal 2004. Management controlled operating costs with a 5.5% reduction from fiscal 2003. Non operating revenue consists of approximately \$3.5 million of developer contributions from the City's expansion of its waste water collection system.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental Funds

For the fiscal year ended April 30, 2004, the Governmental Funds reflect a combined fund balance of \$9,047,451. This was an increase of \$6,406,815, or 242.6%. The Capital Projects Fund fund balance increased by \$3,700,787, from a negative \$(2,144,396) to \$1,556,391. Of the total of all fund balances, \$5,247,956 or 58% is unreserved, indicating availability for continuing City services. Reserved fund balances include amounts for prepaid insurance, inventories, and debt service.

Proprietary Funds

At April 30, 2004, the Proprietary Funds (as presented on pages 15-16) total net assets increased by \$3,971,458, or 16.23%.

GENERAL FUND BUDGETARY HIGHLIGHTS**Table 3: General Fund Budgetary Highlights**

	Original Budget	Final Budget	Actual
Revenues	\$ 16,019,600	\$ 16,019,600	\$ 16,414,790
Expenditures	15,944,835	15,944,835	16,837,603
Excess of Revenues over Expenditures	74,765	74,765	(422,813)
Other Financing Sources (Uses)	(12,130)	(12,130)	826,446
Net Changes in Fund Balance	\$ 62,635	\$ 62,635	\$ 403,633

The General Fund expenditure budget was not amended during the fiscal year. General Fund actual revenues were \$395,190 greater than the original budgeted amount. The City used a conservative estimate of revenue based primarily upon anticipated increases in sales tax revenues. Furthermore, a better than expected growth in sales tax revenue indicates a strong recovery to the local economy.

CAPITAL ASSETS

The City's investment in capital assets for its Governmental and Business-type Activities as of April 30, 2004 amounts to \$51,653,830. The investment in capital assets includes land, buildings, equipment, improvements other than buildings, underground systems, infrastructure, and construction in progress. This amount represents a net increase (including additions and deductions) of \$4,982,089. Detailed information regarding the change in capital assets for Governmental and Business-type Activities is included in the Notes to the Financial Statements on pages 48-51.

The Governmental Activities net capital assets increased from last year by \$948,779. This is attributable to the fact that the amount of additions was greater than the amount of depreciation expensed this year. The Business-type Activities net capital assets increased by \$3,224,277 because the additions were more than the depreciation from the current year.

DEBT OUTSTANDING

In fiscal year 2004, the City issued \$24,420,000 in Bonds in 3 separate issues. The proceeds of the first issue for \$8,820,00 were used to reimburse the City's General Fund for capital expenditures that it had been making under a reimbursement resolution (about \$2 million), to provide about \$2 million to finance additional capital improvements, and \$4.86 million to acquire and renovate new space for the City's Public Library in the building at 200 East Court Street (commonly known as the Executive Center). Proceeds from the second issue of \$6 million were used to provide incentives toward the development of property located at the Exit 308 TIF #8 District. Over \$8 million of the proceeds from

the third issue were used to advance refund two outstanding bond issues for a net present savings of \$295,260, and to provide over \$1.75 million to finance the continuation of the City's neighborhood infrastructure program, including sidewalks, streets and new curbing throughout the City.

The City, under its home rule authority, does not have a legal debt limit. The City has not had an underlying public rating in the past several years. The City's first and third bond issues received an insured rating from Moody's of Aaa. The second issue received an insured rating of AA/A-1 from Standard and Poor's. The City plans to issue additional bonds in the future to finance long-term infrastructure improvements and for economic development purposes.

Additional information on the City's long-term debt can be found in the Notes to the Financial Statements on pages 54-61.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Residential property comprised 61.6%, commercial property 28.3%, and industrial property 9.3% of the City's total equalized assessed value for the 2003 property tax year. The property tax revenue derived from the residential, commercial, and industrial properties is exceedingly stable. Income tax revenue from the State, affected over the past few years by the general downturn in the economy, has started to show some recovery. The sales tax increases of 2004 are projected to continue increasing through fiscal 2005 as a result of the City's economic development efforts and from improving national and local economies.

The unemployment rate for the City decreased slightly to 11.5% in 2004, from 12.1% in 2003. The unemployment rate for the County remained unchanged from one year earlier at 7.3 %.

The fiscal year 2005 budget includes an increase of over \$1.32 million (8.2%, from \$16.02 million to \$17.24 million) in revenues over fiscal 2004 budgeted revenues. The balanced budget does provide for a planned increase in the fund balance of \$250,000.

Budgeted expenditures include increases due to normal annual salary adjustments, most of which are part of employee labor agreements, increases in health and liability insurance costs, and increases in employer pension contributions. Expenditures for commodities and other contractual services are increasing, although at a lower pace than the other expenditure areas.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our mayor, legislators, citizens, customers, investors, and creditors with a general overview of the City's accountability for the money it receives. Questions concerning this report or requests for additional financial information should be directed to James A. Spice, Comptroller, City of Kankakee, 385 East Oak Street, Kankakee, Illinois 60901.

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Basic Financial Statements

CITY OF KANKAKEE, ILLINOIS
STATEMENT OF NET ASSETS
April 30, 2004

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
<u>Assets</u>				
Cash and investments	\$ 8,529,205	\$ 2,617,951	\$ 11,147,156	\$ 493,077
Restricted cash and investments	602,245	11,082	613,327	
Receivables, less allowance for uncollectible amounts:				
Property taxes	8,702,970		8,702,970	1,436,730
Utility taxes	373,606		373,606	
Due from other governmental agencies	3,049,254	143,689	3,192,943	
Due from component units	263,855		263,855	
Due from fiduciary funds	2,038		2,038	
Internal balances	(142,713)	142,713	-0-	
Due from primary government				158,331
Accounts receivable	394,062	2,458,405	2,852,467	
Other	372,901		372,901	67,982
Materials and supplies inventory	13,617		13,617	
Prepaid items	395,313	31,863	427,176	
Other restricted cash and investments		2,188,080	2,188,080	
Capital assets:				
Non-depreciable	1,915,040	2,917,142	4,832,182	
Depreciable (net of accumulated depreciation)	5,274,542	24,280,649	29,555,191	5,976,692
Unamortized bond issuance cost	711,002	335,055	1,046,057	
Investment in joint venture		1,098,617	1,098,617	
Total assets	30,456,937	36,225,246	66,682,183	8,132,812
<u>Liabilities</u>				
Accounts payable	2,791,788	123,638	2,915,426	16,172
Accrued wages payable	432,669	92,609	525,278	
Interest payable	657,547		657,547	2,800
Due to primary government				263,855
Due to component units	158,331		158,331	
Deferred revenue	10,121,937		10,121,937	1,406,800
Unamortized premium on bond insurance	642,970		642,970	
Long-term liabilities:				
Due within one year	2,781,701	501,000	3,282,701	129,825
Due within more than one year	59,270,677	7,071,829	66,342,506	2,660,535
Total liabilities	76,857,620	7,789,076	84,646,696	4,479,987
<u>Net assets</u>				
Invested in capital assets, net of related debt	6,240,803	18,455,154	24,695,957	3,441,332
Restricted for:				
Capital projects	1,556,391		1,556,391	
Debt services	1,807,733	2,199,162	4,006,895	
Economic development	1,236,004		1,236,004	211,493
Street maintenance programs	325,801		325,801	
Unrestricted	(57,567,415)	7,781,854	(49,785,561)	
Total net assets	\$ (46,400,683)	\$ 28,436,170	\$ (17,964,513)	\$ 3,652,825

See accompanying notes.

CITY OF KANKAKEE, ILLINOIS
STATEMENT OF ACTIVITIES
For the year ended April 30, 2004

	Program Revenues			
	Expenses	Charges for Services	Operating Grants	Capital Grants
Primary government				
<u>Governmental Activities</u>				
General government	\$ 4,934,200	\$ 1,576,289	\$ 546,996	
Public safety	11,337,768	860,393		\$ 87,975
Public works	2,076,822	269,522		
Highways and streets	915,760		84,266	
Community development	2,034,246	77,000	2,044,476	
Culture and recreation	61,092			
Economic development	6,836,280			
Interest and fiscal charges	2,521,204			
Total governmental activities	<u>30,717,373</u>	<u>2,783,204</u>	<u>2,675,738</u>	<u>87,975</u>
<u>Business-Type Activities</u>				
Sewer utility	8,756,344	7,919,209		
Vehicle parking	1,062	10,926		
Total business-type activities	<u>8,757,406</u>	<u>7,930,135</u>	<u>-0-</u>	<u>-0-</u>
Total primary government	<u>\$39,474,779</u>	<u>\$10,713,339</u>	<u>\$ 2,675,738</u>	<u>\$ 87,975</u>
Component units				
Library	\$ 1,852,792	\$ 20,157	\$ 160,933	
Special Service Area No. 1	211,686			
Total component units	<u>\$ 2,064,478</u>	<u>\$ 20,157</u>	<u>\$ 160,933</u>	<u>\$ -0-</u>
General Revenues:				
Property taxes levied for general purposes				
Illinois retailers' tax, net				
Utility taxes				
Other taxes				
Intergovernmental				
Investment income				
Gain on disposal of property and equipment				
Other				
Contributions from primary government				
Contributions from developers				
Total				
Transfers				
Changes in net assets				
Net assets, May 1, 2003				
Net assets, April 30, 2004				

Net (Expense) Revenue and Change in Net Assets			
Primary Government			
Governmental Activities	Business-Type Activities	Total	Component Units
\$ (2,810,915)		\$ (2,810,915)	
(10,389,401)		(10,389,401)	
(1,807,300)		(1,807,300)	
(831,494)		(831,494)	
87,230		87,230	
(61,092)		(61,092)	
(6,836,280)		(6,836,280)	
(2,521,204)		(2,521,204)	
<u>(25,170,456)</u>	<u>\$ -0-</u>	<u>(25,170,456)</u>	<u>\$ -0-</u>
	(837,135)	(837,135)	
	9,864	9,864	
<u>-0-</u>	<u>(827,271)</u>	<u>(827,271)</u>	<u>-0-</u>
<u>(25,170,456)</u>	<u>(827,271)</u>	<u>(25,997,727)</u>	<u>-0-</u>
			(1,671,702)
			(211,686)
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(1,883,388)</u>
8,601,168		8,601,168	672,658
4,297,631		4,297,631	
3,243,741		3,243,741	
2,422,366		2,422,366	
781,979		781,979	
80,141	41,168	121,309	5,050
	442	442	
429,885	1,909,291	2,339,176	15,054
	2,531,000	2,531,000	3,450,536
<u>19,856,911</u>	<u>4,481,901</u>	<u>24,338,812</u>	<u>4,143,298</u>
<u>(316,828)</u>	<u>316,828</u>	<u>-0-</u>	
(5,630,373)	3,971,458	(1,658,915)	2,259,910
(40,770,310)	24,464,712	(16,305,598)	1,392,915
<u>\$(46,400,683)</u>	<u>\$28,436,170</u>	<u>\$(17,964,513)</u>	<u>\$ 3,652,825</u>

See accompanying notes.

CITY OF KANKAKEE, ILLINOIS
BALANCE SHEET
GOVERNMENTAL FUNDS
April 30, 2004

	General Fund	Tax Increment Financing District No. 8 Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and investments	\$ 990,623	\$ 1,888,303	\$ 1,040,385	\$ 4,609,894	\$ 8,529,205
Restricted cash and cash equivalents				602,245	602,245
Receivables, less allowance for uncollectible amounts:					
Property taxes	3,351,110			5,351,860	8,702,970
Utility taxes	373,606				373,606
Due from other governmental agencies	2,858,556			190,698	3,049,254
Due from component units	259,998			3,857	263,855
Due from fiduciary funds	2,038				2,038
Due from other funds	530,834		637,957	455,933	1,624,724
Accounts receivable	342,455			51,607	394,062
Other	74,498			298,403	372,901
Materials and supplies inventory	13,617				13,617
Prepaid items	395,313				395,313
Total assets	<u>\$ 9,192,648</u>	<u>\$ 1,888,303</u>	<u>\$ 1,678,342</u>	<u>\$ 11,564,497</u>	<u>\$ 24,323,790</u>
Liabilities					
Accounts payable	\$ 2,504,056		\$ 95,217	\$ 192,515	\$ 2,791,788
Accrued wages payable	430,929			1,740	432,669
Interest payable				4,177	4,177
Due to other funds	83,045	\$ 652,299	26,734	1,005,359	1,767,437
Due to component units				158,331	158,331
Deferred revenue	3,549,260			6,572,677	10,121,937
Total liabilities	<u>6,567,290</u>	<u>652,299</u>	<u>121,951</u>	<u>7,934,799</u>	<u>15,276,339</u>
Fund Balance					
Reserved for prepaid insurance	395,313				395,313
Reserved for inventories	13,617				13,617
Reserved for debt service				1,828,760	1,828,760
Reserved for unexpended street maintenance programs				325,801	325,801
Reserved for economic development		1,236,004			1,236,004
Reserved for capital projects			1,556,391		1,556,391
Unreserved, reported in					
General Fund	2,216,428				2,216,428
Special Revenue Funds				1,496,164	1,496,164
Debt Service Funds				(21,027)	(21,027)
Total fund balance	<u>2,625,358</u>	<u>1,236,004</u>	<u>1,556,391</u>	<u>3,629,698</u>	<u>9,047,451</u>
Total liabilities and fund balance	<u>\$ 9,192,648</u>	<u>\$ 1,888,303</u>	<u>\$ 1,678,342</u>	<u>\$ 11,564,497</u>	<u>\$ 24,323,790</u>

See accompanying notes.

CITY OF KANKAKEE, ILLINOIS
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
April 30, 2004

Amounts reported for governmental activities on the
statement of net assets are different because of the following:

Total Governmental Fund Balance		\$ 9,047,451
Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.	\$ 7,189,582	
Unamortized issuance costs represent deferred charges which do not provide current financial resources and, therefore, not reported in the funds.	711,002	
Unamortized premium on bond proceeds represents deferred resources which do not provide current financial resources and, therefore, not reported in the funds.	(642,970)	
Long-term liabilities received for governmental activities are not financial charges and, therefore, not reported in the funds.	(62,052,378)	
Some liabilities are not due and payable in the current period and, therefore, not reported in the funds:		
Interest payable	<u>(653,370)</u>	<u>(55,448,134)</u>
Net assets of governmental activities		<u>\$ (46,400,683)</u>

See accompanying notes.

CITY OF KANKAKEE, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the year ended April 30, 2004

	General Fund	Tax Increment Financing District No. 8 Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Property taxes	\$ 3,064,890			\$ 5,536,278	\$ 8,601,168
Illinois retailers' tax, net	4,297,631				4,297,631
Utility tax	3,243,741				3,243,741
Other taxes	2,384,202				2,384,202
Licenses and permits	1,612,984				1,612,984
Intergovernmental	358,274		\$ 87,975	3,099,443	3,545,692
Charges for services	526,945				526,945
Fines and fees	693,275				693,275
Interest income	39,327	\$ 2,759		38,055	80,141
Miscellaneous	193,521		149,000	64,658	407,179
Total revenues	16,414,790	2,759	236,975	8,738,434	25,392,958
Expenditures:					
Current:					
General government	3,950,110	14,387		731,884	4,696,381
Public safety	10,821,877		345,030	65,195	11,232,102
Public works	1,953,529			188,048	2,141,577
Highways and streets				1,010,531	1,010,531
Community development	77,365			1,933,452	2,010,817
Culture and recreation				61,092	61,092
Economic development	22,087	2,685,058		1,363,543	4,070,688
Debt Service:					
Principal retirement	12,524	600,000	908,657	3,563,723	5,084,904
Interest and fiscal charges	111		8,784	1,898,581	1,907,476
Total expenditures	16,837,603	3,299,445	1,262,471	10,816,049	32,215,568
Excess (deficiency) of revenues over expenditures	(422,813)	(3,296,686)	(1,025,496)	(2,077,615)	(6,822,610)
Other financing sources (uses):					
Transfers:					
From other funds	907,590			2,796,821	3,704,411
To other funds	(241,724)	(1,085,672)	(1,028,776)	(1,665,066)	(4,021,238)
From component units				90,870	90,870
To component units				(3,450,536)	(3,450,536)
Proceeds from bonds issuance		6,000,000	5,510,362	4,860,000	16,370,362
Proceeds from premium on bond issuance			325,171	391,422	716,593
Bond issuance cost		(381,638)	(80,474)	(282,870)	(744,982)
Proceeds from debt refunding				8,049,638	8,049,638
Payment to refunded debt escrow agent				(7,945,828)	(7,945,828)
Proceeds from capital lease				17,396	17,396
Proceeds from long-term notes	148,450			262,160	410,610
Total other financing sources (uses)	814,316	4,532,690	4,726,283	3,124,007	13,197,296
Net change in fund balance	391,503	1,236,004	3,700,787	1,046,392	6,374,686
Fund balance (deficit), May 1, 2003	2,201,726		(2,144,396)	2,583,306	2,640,636
Net increase in reserves	32,129				32,129
Fund balance, April 30, 2004	\$ 2,625,358	\$ 1,236,004	\$ 1,556,391	\$ 3,629,698	\$ 9,047,451

See accompanying notes.

CITY OF KANKAKEE, ILLINOIS
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
For the year ended April 30, 2004

Amounts reported for governmental activities on the
statement of activities are different because of the following:

Net Change in Fund Balance-Total Governmental Funds \$ 6,374,686

Governmental funds report capital outlays as expenditures. However, on the
statement of activities, the cost of those assets is allocated over their
estimated useful lives as depreciation expense. This is the amount by which
capital outlays exceeded depreciation in the current year.

Capital outlay-depreciable capital assets	\$ 1,408,906	
Depreciation	(460,127)	
		948,779

Repayment of principal is an expenditure and debt refunding is other
financing uses in the governmental funds, but is accrued
on outstanding debt on the statement of net assets.

Bonds payable	2,405,000	
Payment to refunding debt escrow agent	7,945,828	
Long-term notes payable	2,571,181	
Capital lease obligations payable	28,723	
		12,950,732

Interest is reported as an expenditure when due in the governmental funds,
but is accrued on outstanding debt on the statement of net assets.

Interest payable	(653,370)	
		(653,370)

Some expenses reported on the statement of activities do not require the use
of current financial resources and, therefore, are not reported as
expenditures in governmental funds.

Amortized bond issue cost	(33,980)	
Amortized bond premium	73,622	
Compensated absences payable	(235,200)	
Unfunded pension cost	(236,028)	
		(431,586)

Bond proceeds and premiums, long-term notes and capital lease proceeds are
other financing sources in the governmental funds, but the issuance increases
the long-term liabilities on the statement of net assets.

Proceeds from bonds issued	(24,420,000)	
Proceeds from long-term notes	(410,610)	
Proceeds from capital lease	(17,396)	
Proceeds from premium on bonds issued	(716,592)	
		(25,564,598)

Bond issue costs are other financing uses in the governmental funds, but the
issuance cost increases the assets on the statement of net assets.

Bond issue costs	744,984	
		744,984

Change in net assets of governmental activities		\$ (5,630,373)
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See accompanying notes.

CITY OF KANKAKEE, ILLINOIS
STATEMENT OF FUND NET ASSETS
PROPRIETARY FUNDS
April 30, 2004

	Business-type Activities		
	Enterprise Funds		
	Major	Nonmajor	
	Kankakee	Motor	
	Municipal	Vehicle	
	Utility	Parking	Total
Assets:			
Current assets:			
Cash and investments	\$ 2,590,727	\$ 27,224	\$ 2,617,951
Restricted cash and investments	11,082		11,082
Receivables, less allowance for uncollectible amounts:			
Due from other government agencies	143,689		143,689
Due from other funds	142,713		142,713
Accounts receivable	2,458,255	150	2,458,405
Prepaid items	31,863		31,863
Total current assets	<u>5,378,329</u>	<u>27,374</u>	<u>5,405,703</u>
Non-current assets:			
Other restricted cash and investments	2,188,080		2,188,080
Capital assets:			
Non-depreciable	1,473,334	1,443,808	2,917,142
Depreciable (net of accumulated depreciation)	24,280,649		24,280,649
Unamortized bond issuance cost	335,055		335,055
Investment in joint venture	1,098,617		1,098,617
Total non-current assets	<u>29,375,735</u>	<u>1,443,808</u>	<u>30,819,543</u>
Total assets	<u>34,754,064</u>	<u>1,471,182</u>	<u>36,225,246</u>
Liabilities:			
Current liabilities:			
Accounts payable	123,638		123,638
Accrued wages payable	92,609		92,609
Accrued employee absences	31,000		31,000
Revenue bonds payable within one year	470,000		470,000
Total current liabilities	<u>717,247</u>	<u>-0-</u>	<u>717,247</u>
Non-current liabilities:			
Accrued employee absences	243,000		243,000
Revenue bonds payable, less portion due within one year	6,828,829		6,828,829
Total non-current liabilities	<u>7,071,829</u>	<u>-0-</u>	<u>7,071,829</u>
Total liabilities	<u>7,789,076</u>	<u>-0-</u>	<u>7,789,076</u>
Net assets:			
Invested in capital assets, net of related debt	18,455,154		18,455,154
Restricted for debt service	2,199,162		2,199,162
Unrestricted	6,310,672	1,471,182	7,781,854
Total net assets	<u>\$26,964,988</u>	<u>\$ 1,471,182</u>	<u>\$28,436,170</u>

See accompanying notes.

CITY OF KANKAKEE, ILLINOIS
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the year ended April 30, 2004

	Business-type Activities Enterprise Funds		Total
	Major Kankakee Municipal Utility	Nonmajor Motor Vehicle Parking	
Operating revenues:			
Charges for services			
Sewer charges	\$ 6,212,921		\$ 6,212,921
Solid waste charges	1,500,162		1,500,162
Hydroelectric revenues	206,126		206,126
Parking revenues		\$ 10,926	10,926
Total operating revenues	<u>7,919,209</u>	<u>10,926</u>	<u>7,930,135</u>
Operating expenses:			
Administration	1,452,840	975	1,453,815
Sanitary sewers	514,021		514,021
Remote stations	182,622		182,622
Lab and industrial services	319,587		319,587
Technical services	830,224		830,224
Building maintenance	148,632		148,632
Sewer charges	2,204,827		2,204,827
Sewer improvement project	282,820		282,820
Solid waste	1,245,747		1,245,747
Landfill siting	97,550		97,550
Depreciation	811,408		811,408
Total operating expenses	<u>8,090,278</u>	<u>975</u>	<u>8,091,253</u>
Operating income (loss)	<u>(171,069)</u>	<u>9,951</u>	<u>(161,118)</u>
Nonoperating revenues (expenses)			
Equity interest in joint venture operating income	88,295		88,295
Gain on disposal of property and equipment	442		442
Interest income	41,124	44	41,168
Interest expense	(666,066)	(87)	(666,153)
Contributions from developers	2,531,000		2,531,000
Other income	1,820,996		1,820,996
Total nonoperating revenues (expenses)	<u>3,815,791</u>	<u>(43)</u>	<u>3,815,748</u>
Income before transfers	3,644,722	9,908	3,654,630
Transfers in	<u>316,828</u>		<u>316,828</u>
Change in net assets	3,961,550	9,908	3,971,458
Net assets, May 1, 2003	23,003,438	1,461,274	24,464,712
Net assets, April 30, 2004	<u>\$26,964,988</u>	<u>\$ 1,471,182</u>	<u>\$28,436,170</u>

See accompanying notes.

CITY OF KANKAKEE, ILLINOIS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the year ended April 30, 2004

	Business-type Activities Enterprise Funds		Total
	Major	Nonmajor	
	Kankakee Municipal Utility	Motor Vehicle Parking	
Cash flows provided (used) by operating activities:			
Receipts from customers and users	\$7,894,724	\$ 10,776	\$7,905,50
Receipts from (payments to) interfund	864		86
Other receipts	480,143		480,14
Payments to suppliers	(6,198,492)	(975)	(6,199,46
Payments to employees	(1,616,302)		(1,616,30
Net cash provided (used) by operating activities	<u>560,937</u>	<u>9,801</u>	<u>570,73</u>
Cash flows provided by noncapital financing activities:			
Transfers	<u>316,828</u>		<u>316,82</u>
Cash flows provided (used) by capital and related financing activities:			
Purchase of property and equipment	(563,983)		(563,98
Additions to construction in progress	(940,702)		(940,70
Repayment of notes payable		(3,931)	(3,93
Interest paid on notes payable		(87)	(8
Proceeds from sale of capacity	1,341,300		1,341,30
Repayment of revenue bonds	(450,000)		(450,00
Interest paid on revenue bonds	(457,855)		(457,85
Net cash provided (used) by capital and related financing activities	<u>(1,071,240)</u>	<u>(4,018)</u>	<u>(1,075,25</u>
Cash flows provided by investing activities:			
Interest received	<u>41,124</u>	<u>44</u>	<u>41,16</u>
Net increase (decrease) in cash and cash equivalents	(152,351)	5,827	(146,52
Cash and cash equivalents, May 1, 2003	4,942,241	21,398	4,963,63
Cash and cash equivalents, April 30, 2004	<u>\$4,789,890</u>	<u>\$ 27,225</u>	<u>\$4,817,11</u>

CITY OF KANKAKEE, ILLINOIS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the year ended April 30, 2004

	Business-type Activities Enterprise Funds		
	Major	Nonmajor	Total
	Kankakee Municipal Utility	Motor Vehicle Parking	
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	\$ (171,069)	\$ 9,951	\$ (161,118)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	811,408		811,408
Provision for bad debts	100,500		100,500
Other income	480,142		480,142
(Increase) decrease in operating assets:			
Accounts receivable	(124,984)	(150)	(125,134)
Accounts receivable-Kankakee River Metropolitan Agency	(143,689)		(143,689)
Prepaid insurance and service fees	(7,300)		(7,300)
Due from other City funds	3,470		3,470
Increase (decrease) in operating liabilities:			
Accounts payable	22,651		22,651
Accrued compensated absences	(103,000)		(103,000)
Accrued payroll	17,098		17,098
Due to Kankakee River Metropolitan Agency	(321,684)		(321,684)
Due to other City funds	(2,606)		(2,606)
Net cash provided (used) by operating activities	<u>\$ 560,937</u>	<u>\$ 9,801</u>	<u>\$ 570,738</u>
Schedule of noncash capital and related financing activities:			
Amortization of bond issuance costs	<u>\$ 20,688</u>	<u>\$ -0-</u>	<u>\$ 20,688</u>
Amortization of early debt retirement deferred loss	<u>\$ 187,524</u>	<u>\$ -0-</u>	<u>\$ 187,524</u>
Construction projects capitalized	<u>\$ 417,478</u>	<u>\$ -0-</u>	<u>\$ 417,478</u>
Items capitalized from developer contribution	<u>\$2,531,000</u>	<u>\$ -0-</u>	<u>\$2,531,000</u>

See accompanying notes.

CITY OF KANKAKEE, ILLINOIS
STATEMENT OF FIDUCIARY NET ASSETS
PENSION TRUST FUNDS
April 30, 2004

Assets:	
Cash and short-term investments	\$ 1,381,973
Receivables, less allowance for uncollectible amounts:	
Employee contributions	23,778
Interest	63,115
Investments, at fair value:	
Open-end mutual funds	2,139,594
Certificates of deposits	1,153,532
Corporate securities	4,671,741
U.S. treasury and agency securities	8,555,289
Insurance company contract	1,502,395
 Total assets	 <u>19,491,417</u>
Liabilities:	
Accounts payable	259,520
Due to general fund	2,038
 Total liabilities	 <u>261,558</u>
 Net assets held in trust for pension benefits ⁽¹⁾	 <u>\$19,229,859</u>

(1) A schedule of funding progress is presented in the Required Supplementary Information section of this report.

See accompanying notes.

CITY OF KANKAKEE, ILLINOIS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PENSION TRUST FUNDS
For the year ended April 30, 2004

Additions:

Contributions:

Employer	\$ 1,840,257
Employee	588,128
Total contributions	<u>2,428,385</u>

Investment income:

Net appreciation in fair value of investments	509,120
Interest and dividends	<u>1,240,665</u>
	1,749,785

Less: investment expense	<u>(78,132)</u>
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Net investment income	1,671,653
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Total additions	<u>4,100,038</u>
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Deductions:

Benefits	3,051,393
Refunds of contributions	88,927
Administrative expenses	79,623

Total deductions	<u>3,219,943</u>
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Net increase	880,095
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Net assets held in trust for pension benefits:

May 1, 2003	18,349,764
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April 30, 2004	<u><u>\$ 19,229,859</u></u>
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See accompanying notes.

CITY OF KANKAKEE, ILLINOIS
COMBINING STATEMENT OF NET ASSETS
COMPONENT UNITS
April 30, 2004

	Library Fund	Special Service Area No. 1	Totals
Assets:			
Cash and investments	\$ 190,375	\$ 302,702	\$ 493,077
Receivables, less allowance for uncollectible amounts:			
Property taxes	1,319,130	117,600	1,436,730
Due from primary government		158,331	158,331
Other	347	67,635	67,982
Capital assets:			
Depreciable (net of accumulated depreciation)	5,976,692		5,976,692
Total assets	<u>7,486,544</u>	<u>646,268</u>	<u>8,132,812</u>
Liabilities:			
Accounts payable	16,172	0	16,172
Interest payable		2,800	2,800
Due to primary government	263,855		263,855
Deferred revenue	1,289,200	117,600	1,406,800
Long-term liabilities:			
Due within one year	49,825	80,000	129,825
Due within more than one year	2,485,535	175,000	2,660,535
Total liabilities	<u>4,104,587</u>	<u>375,400</u>	<u>4,479,987</u>
Net assets:			
Invested in capital assets, net of related debt	3,441,332		3,441,332
Unrestricted	(59,375)	270,868	211,493
Total net assets	<u>\$3,381,957</u>	<u>\$ 270,868</u>	<u>\$3,652,825</u>

See accompanying notes.

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CITY OF KANKAKEE, ILLINOIS
COMBINING STATEMENT OF ACTIVITIES
COMPONENT UNITS
For the year ended April 30, 2004

		Program Revenues		
	Expenses	Charges for Services	Operating Grants	Capital Grants
Library Fund:				
Culture and recreation	\$1,852,792	\$ 20,157	\$ 160,933	
Special Service Area No. 1:				
General government	211,686			
Total component units	<u>\$2,064,478</u>	<u>\$ 20,157</u>	<u>\$ 160,933</u>	<u>\$ -0-</u>

General Revenues:

Property taxes levied for general purposes

Interest

Other

Contribution from primary government

Total

Changes in net assets

Net assets, May 1, 2003

Net assets, April 30, 2004

Net (Expense) Revenue and
Change in Net Assets

<u>Library Fund</u>	<u>Special Service Area No. 1</u>	<u>Total</u>
\$(1,671,702)		\$(1,671,702)
	\$(211,686)	(211,686)
<u>(1,671,702)</u>	<u>(211,686)</u>	<u>(1,883,388)</u>
560,193	112,465	672,658
1,835	3,215	5,050
13,454	1,600	15,054
3,292,205	158,331	3,450,536
<u>3,867,687</u>	<u>275,611</u>	<u>4,143,298</u>
2,195,985	63,925	2,259,910
1,185,972	206,943	1,392,915
<u>\$ 3,381,957</u>	<u>\$ 270,868</u>	<u>\$ 3,652,825</u>

See accompanying notes.

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CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The City of Kankakee, Illinois (City), is a home rule unit under the 1970 Constitution of Illinois, Article VII. The City was incorporated in 1865 and operates under an elected Mayor/Council form of government. The City's major operations include public safety (police and fire), highways and streets, sanitation, health and social services, culture and recreation, public improvements, planning and zoning, and general administrative services. The following significant accounting policies apply to the City and its component units.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*. Certain of the significant changes in the statement include the following:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the City's overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of the City's activities, including infrastructure (roads, bridges, etc.).
- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements). The City has elected to implement the general provisions of the Statement in the current year and plans to retroactively report infrastructure assets acquired prior to April 30, 2003 in the fiscal year ending April 30, 2005.

A. Reporting Entity

The City follows accounting principles generally accepted in the United States of America established by the Governmental Accounting Standards Board. The financial reporting entity consists of the primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. Financial accountability is defined as:

1. Appointment of a voting majority of the component unit's board, and either (a) the ability to impose will by the primary government, or (b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government; or
2. Fiscal dependency on the primary government.

The accompanying financial statements present the City of Kankakee, Illinois (the primary government) and its component units. The financial data of the component units is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Blended Component Unit - A blended component unit is a legally separate entity from the City, but is so intertwined with the City that it is, in substance, the same as the City. For financial reporting purposes, the following component units are reported as if they were part of the City's operations.

1. The Kankakee Municipal Utility is governed by a board which is comprised mainly of City Council members. As stated in the Kankakee Municipal Utility bylaws, one City Council member from each ward is required to serve on the Kankakee Municipal Utility Board. The Utility accounts for the operation of the sewer and solid waste systems which benefit the citizens of the City.
2. The Community Development Agency is governed by the City Council. Its major sources of revenue are intergovernmental grants that are used to benefit the citizens of the City.

Discretely Presented Component Unit - A discretely presented component unit is an entity that is legally separate from the City, but for which the City is financially accountable, or whose relationship with the City is such that exclusion would cause the City's basic financial statements to be misleading or incomplete. The following discretely presented component units are reported in a separate column to emphasize that they are legally separate from the City.

1. The Kankakee Public Library is governed by a board appointed by the City Council. The majority of the Library's revenues are from a property tax levy approved by the Council. The City has also assumed the obligation to finance the Library's deficits.
2. The Special Service Area No. 1 promotes and develops downtown Kankakee. Its major source of revenues is from a property tax levy approved by the City Council.

Financial statements of the component units can be obtained from the City's accounting department. Combining financial statements for each of the discretely presented component units are presented after the basic financial statements and prior to the notes to the financial statements.

B. Basis of Presentation

Government-wide Financial Statements - The government-wide statement of net assets and statement of activities report the overall financial activity of the City and its component units, excluding fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities of the City. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. Additionally, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

**CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include 1) fines, fees, and charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirement of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - The fund financial statements provide information about the City's funds, including its fiduciary funds. Separate statements for each fund category-governmental, proprietary and fiduciary are presented. The emphasis on fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

The City reports the following major governmental funds:

General Fund - This fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Tax Increment Financing District No. 8 - This fund accounts for the incremental property taxes realized within the Tax Increment Financing District Number 8. Expenditures of this fund is restricted to capital improvements and redevelopment within the District and public safety.

Capital Projects Fund - This fund accounts for the resources used for capital acquisition and other major capital improvement projects including streets, sidewalks and community development projects.

The City reports the following major proprietary fund:

Kankakee Municipal Utility Fund- This fund accounts for the City's sewer and solid waste operations and the production, transmission and delivery of electrical power.

Additionally, the City reports the following fiduciary fund type:

Pension Trust Funds - These funds account for the accumulation of retirement and disability benefits for police and firefighters' pension plans.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

C. Measurement Focus and Basis of Accounting:

Government-wide, Proprietary and Fiduciary Fund Financial Statements - The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Nonexchange transactions, in which the City receives value without directly giving equal value in exchange, include property tax revenue, grants, and other contributions. On an accrual basis, revenue from property taxes is recognized in the period for which they levy is intended to finance, which is the year after the taxes are levied. For example, the 2002 levy is recognized as revenue for the year ended April 30, 2004. Revenue from grants and other contributions is recognized in the fiscal year in which all eligibility requirements imposed by the provider have been met. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the City must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the City on a reimbursement basis.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City enterprise funds are charges to customers for sales and services which include sewer and solid waste charges, utility fees and parking fees. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

Pension trust funds recognize employer and participant contributions in the period in which contributions are due and the City has made a formal commitment to provide the contributions. Retirement benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Governmental Fund Financial Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on general long-term debt, claims and judgments are recorded only when payment is due.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Compensated absences are recorded only when retirement or separation has occurred. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing courses.

Property taxes, sales taxes, income taxes, utility taxes, intergovernmental revenues, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period.

Property taxes receivable which are expected to be collected within sixty days are considered available and are recognized as revenue. Sales, income and other taxes are considered to be measurable when they have been collected by the state or other collection agent and are recognized as revenue at that time.

Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available.

The City reports deferred revenue on its financial statements. Deferred revenues arise when a potential revenue does not meet both the measurable and available or earned criteria for recognition in the current period. Deferred revenues also arise when the resources are received by the City before it has a legal claim to them or prior to the provision of services. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for deferred revenue is removed from the financial statements and revenue is recognized.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant and, accordingly, when such funds are received they are recorded as deferred revenues until earned.

D. Budgets and Budgetary Accounting

The City adopts annual budgets for the General Fund and special revenue funds, with the exception of Civil Defense Fund, Community Development Agency, Senior Aides Program, Motor Fuel Tax and Tax Increment Financing District funds. For Civil Defense Fund, Community Development Agency, Senior Aides, Motor Fuel Tax, and Tax Increment Financing District funds legally authorized non-appropriated budgets are utilized to control expenditures on a project (or designated purpose) basis and are carried forward each year until the project is completed or the grant award has been expended. No legally adopted budgets are prepared for capital projects funds and debt service funds. Expenditures for capital project funds are controlled on a project basis. Expenditures for debt service funds are controlled through general obligation bonds' indenture provisions.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to July 1, the City Council's budget committee submits to the City Council a proposed operating budget for the fiscal year which had commenced May 1.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to August 1, the budget is legally enacted through passage of the annual appropriation ordinance. This ordinance places legal restrictions on expenditures at the department level for the General Fund and at the fund level for the Special Revenue Fund. Once approved, the City Council may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations.
4. Revenues are budgeted by source. Although legal restrictions on expenditures are established at the department level for the General Fund and at the fund level for Special Revenue Funds, effective administrative control over expenditures is maintained through the establishment of more detailed line-item budgets such as personal services, materials and supplies, capital outlay, contractual and debt service. Expenditures are budgeted by fund and department and classified by function, activity and/or program. Management may transfer budgeted amounts between line items within a department in the General Fund and within a fund in the Special Revenue Funds without the approval of the City Council. No material supplemental budget appropriations were made during fiscal year ended April 30, 2004.
5. All budgets are adopted on a modified accrual basis. Unencumbered and unexpended appropriations lapse at fiscal year end.

E. Investments

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Insurance contracts are valued at contract value. The value of open-end mutual funds are determined by the pool's share price. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Managed funds related to the retirement systems not listed on an established market are reported at estimated fair value as determined by the respective fund managers based on quoted sales prices of the underlying securities. Cash deposits are reported at carrying amount which reasonably estimates fair value. All external investment pools are reported at fair value based on the fair value per share of the pool's underlying portfolio. City's Police and Fire Pension funds, under the direction of their respective Board of Trustees, contractually delegate investment oversight to investment managers. The City invests in the Illinois Public Treasurer's Investment Pool which is overseen by the State of Illinois. The City also invests in the Treasury Management Investment Fund which is offered by a trustee bank and overseen by an investment management company.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

F. Interfund Transactions

The City has the following types of interfund transactions:

Loans - Amounts provided with a requirement for repayment. Interfund loans are reported as interfund receivables (i.e. due from other funds) in lender funds and interfund payables (i.e. due to other funds) in borrower funds in the fund balance sheets or fund statements of net assets. Interfund balances between governmental funds and between proprietary funds are not included in the government-wide statement of net assets.

Services Provided and Used - Sales and purchases of goods and services between funds for a price approximating their external exchange value. Interfund services provided and used are reported as revenues in seller funds and expenditures or expenses in purchaser funds. Unpaid amounts are reported as interfund receivables and payables in the fund balance sheets or fund statements of net assets. Interfund balances between governmental funds and between proprietary funds are not included in the government-wide statement of net assets.

Reimbursements - Repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them. Reimbursements are reported as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund.

Transfers - Flows of assets (such as cash or goods) without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers. In proprietary funds, transfers are reported after nonoperating revenues and expenses. Interfund transfers between governmental funds and between proprietary funds are not included in the government-wide statement of net assets.

G. Inventory and Prepaid Items

Inventory, such as fuel and office supplies, is accounted for using the consumption method and is valued at an average weighted cost. Inventory reported in the governmental funds is not available for appropriation and therefore, results in a reservation of fund balance.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

H. Restricted Assets - Enterprise Funds

Certain cash and investments in the Kankakee Municipal Utility Fund are restricted in accordance with the ordinances authorizing the issuance of the revenue bonds. These assets are reflected as restricted cash and investments and reservation of net assets.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

I. Long-Term Debt, Bond Premiums, Discounts and Issuance Costs

In the government-wide, proprietary and component unit financial statements, outstanding debts are reported as liabilities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method.

Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, government fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

J. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

Minimum capitalization costs are as follows:

Land.....	\$ 25,000
Machinery, equipment and vehicles.....	5,000
Buildings, land improvements, leasehold improvements.....	100,000
Infrastructure assets.....	250,000

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized, whereas improvements extending the useful lives of the related capital assets are capitalized.

Capital assets of the City and its component units are depreciated using the straight-line method over the following useful lives:

	<u>Years</u>
Buildings, major plant and sewerage equipment	20 - 50
Machinery, equipment and vehicles	5 - 10
Improvements	7 - 20
Infrastructure	20 - 50

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

GASBS No. 34 requires the City to report and depreciate new infrastructure assets effective with the beginning of the current year. Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the City. Neither their historical cost nor related depreciation has historically been reported in the financial statements. The retroactive reporting of infrastructure is subject to an extended implementation period and is first effective for fiscal years ending in 2006. The City has elected to implement the general provisions of GASBS No. 34 in the current year and hope to implement the retroactive infrastructure provisions in the fiscal year ending April 30, 2005.

K. Net Assets

In the government-wide and proprietary fund financial statements, equity is displayed in three components as follows:

Invested in Capital Assets, Net of Related Debt - This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted - This consists of net assets that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, generally it is the City's policy to use restricted resources first, then unrestricted resources when they are needed.

Unrestricted - This consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

L. Accumulated Unpaid Vacation, Sick-pay and Other Employee Benefit Amounts

City employees are entitled to certain compensated absences based on their length of employment. With minor exceptions, compensated absences either vest or accumulate and are accrued when they are earned.

The liability for compensated absences reported in the government-wide and proprietary fund statements consists of unpaid, accumulated vacation and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

M. Encumbrances

Encumbrance accounting is used for the General Fund, special revenue funds, and capital projects funds. Encumbrances are recorded when purchase orders are issued but are not considered expenditures until liabilities for payments are incurred. Encumbrances are reported as a reservation of fund balance on the balance sheet. Encumbrances do not lapse at the close of the fiscal year but are carried forward as reserved fund balance until liquidated.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

N. Cash Flow Information

The Cash Flows Statement provides information about changes in cash and cash equivalents, including cash in excess of daily requirements that is invested in marketable securities, substantially all of which have a maturity of three months or less when acquired.

O. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

P. Fund Equity - Fund Financial Statement

The unreserved fund balances for governmental funds represent the amount available for budgeting future operations. The reserved fund balances for governmental funds, represent the amount that has been legally identified for specific purposes. Reserved fund balances in pension trust funds represent the net assets held in trust that are required to be reserved for the employees' pension benefits.

Q. Investment in Joint Venture

The Kankakee Municipal Utility has an investment in a joint venture which is reported on the equity method of accounting.

NOTE 2 - DEPOSITS (CASH) AND INVESTMENTS:

Investing is performed in accordance with investment policies complying with state statutes (as outlined in the Illinois Public Funds Act of 1943) and City charter. These statutes and the City charter authorize the City to invest in direct and general obligations of the United States of America, obligations issued or guaranteed by instrumentalities or agencies of the United States of America, direct and general obligations of any state, interest-bearing demand or time deposits or interest in money market portfolios issued by state banks or trust companies or national banking associations or savings and loan associations that are continuously and fully insured, shares of a diversified open-end management investment company, state pooled investment funds, or repurchase agreements of government securities through banks or trust companies. Police and Fire pension investments are governed by the Illinois Pension Code which authorize, in addition to the above investments, investments in common stock, mutual funds and life insurance company contracts.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - DEPOSITS (CASH) AND INVESTMENTS (Continued):

Deposits (Cash)

The City maintains a cash and investment pool that is available for use by the General Fund and all special revenue funds (except the Motor Fuel Tax Fund, the Community Development Agency and the Senior Aides Program). In addition, non-pooled cash and investments are separately held by several of the City's funds including component units. The deposits and investments of the pension trust funds are held separately from those of the other City funds.

Deposits are carried at cost which approximates market value. At April 30, 2004, the carrying amount of the primary government's deposits was \$3,391,726 and the bank balance was \$3,771,928. Of the bank balance, \$1,714,443 was covered by general depository insurance, \$1,932,890 was covered by collateral held by the City's agent in the City's name and \$124,595 was not insured or covered by collateral.

At April 30, 2004, the carrying amount of the component units deposits was \$418,199 and the bank balance was \$421,448. Of the bank balance, \$300,842 was covered by general depository insurance and \$120,606 was not insured or covered by collateral.

Investments

Investments made by the City are summarized by fund types below. The investments that are represented by specific identifiable investment securities are classified as to credit risk by the three categories described below:

Category 1 - Investments that are insured or registered, or for which the securities are held by the City or its agent in the City's name.

Category 2 - Uninsured and unregistered investments for which the securities are held by the counter-party's trust department or agent in the City's name.

Category 3 - Uninsured and unregistered investments for which the securities are held by the counter-party, or by its trust department or agent, but not in the City's name.

	<u>Category</u>			<u>Carrying Amounts</u>
	<u>1</u>	<u>2</u>	<u>3</u>	<u>/Fair Value</u>
Primary Government:				
Illinois Public Treasurer's				
Investment Pool				\$ 3,504,463
Money market investments	\$ 1,448,602			1,448,602
U.S. Treasury and federal				
agency obligations	10,266,714			10,266,714
Common stocks			\$4,671,741	4,671,741

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - DEPOSITS (CASH) AND INVESTMENTS (Continued)

	Category			Carrying Amounts
	<u>1</u>	<u>2</u>	<u>3</u>	<u>/Fair Value</u>
Treasury Management				
Investment Fund				\$ 5,850,200
Insurance contracts				1,502,395
Open-end mutual funds				2,139,593
Corporate bonds				<u>577,652</u>
 Total investments	 <u>\$11,715,316</u>	 <u>\$-0-</u>	 <u>\$4,671,741</u>	 <u>\$29,961,360</u>
 Component Units:				
Treasury Management				
Investment Fund				\$ 34,000
Illinois Public Treasurer's				
Investment Pool				<u>40,878</u>
 Total investments				 \$ <u>74,878</u>

NOTE 3 - DEFINED BENEFIT PENSION PLANS:

The City contributes to three defined benefit pension plans, the Illinois Municipal Retirement Fund (IMRF), an agent-multiple-employer public employee retirement system; the Police Pension Plan which is a single-employer pension plan; and, the Firemen's Pension Plan which is also a single-employer pension plan. The benefits, benefit levels, employee contributions and employer contributions for all three plans are governed by Illinois Compiled Statutes and can only be amended by the Illinois General Assembly. None of the pension plans issues separate reports on the pension plans.

Illinois Municipal Retirement Fund:

The Illinois Municipal Retirement Fund covers all City employees who:

- (a) occupy a job normally requiring 600 hours or more per year;
- (b) are paid on a regular payroll from City funds;
- (c) were under age 60 when first entering employment; and
- (d) are not covered by another state-created retirement system for the same service.

Employees not qualifying above are considered "Nonparticipating employees" and are covered under Social Security or under the police pension or firemen's pension plans.

Plan Description

Illinois Municipal Retirement Fund (IMRF) provides retirement, disability, annual cost of living adjustments and death benefits to plan members and beneficiaries. IMRF acts as a common investment and administrative agent for local governments and school districts in Illinois. The Illinois Pension Code establishes the benefit provisions of the plan that can only be amended by the Illinois General Assembly.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE 3 - DEFINED BENEFIT PENSION PLANS (Continued):

IMRF issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at www.imrf.org/pubs/pubs_homepage.htm or by writing to the Illinois Municipal Retirement Fund, 2211 York Road, Suite 500, Oak Brook, Illinois 60523. Information on significant investments is not available.

Funding Policy

Employees participating in IMRF are required to contribute 4.50 percent of their annual covered salary. The member rate is established by state statute. The City is required to contribute at an actuarially determined rate. The employer rate for calendar year 2003 was 0.95 percent of payroll. The employer contribution requirements are established and may be amended by the IMRF Board of Trustees. IMRF's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis (overfunded liability amortized on open basis). The amortization period at December 31, 2003 was 10 years.

Annual Pension Cost

For December 31, 2003, the City's annual pension cost of \$50,461 was equal to the City's required and actual contributions. The required contribution was determined as part of the December 31, 2001 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 7.50 percent investment rate of return (net of administrative expenses), (b) projected salary increases of 4.0 percent a year, attributable to inflation, (c) additional projected salary increases ranging from .4 percent to 11.6 percent per year depending on age and services, attributable to seniority/merit, and (d) post-retirement benefit increases of 3 percent annually. The actuarial value of IMRF assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The assumptions used for the 2003 actuarial valuation were based on the 1999-2001 Experience Study.

Trend Information

<u>Actuarial Valuation Date</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
December 31, 2003	\$ 50,461	100%	\$-0-
December 31, 2002	54,096	100	-0-
December 31, 2001	55,491	100	-0-
December 31, 2000	155,983	100	-0-
December 31, 1999	369,369	100	-0-
December 31, 1998	390,811	100	-0-
December 31, 1997	428,146	100	-0-
December 31, 1996	405,877	100	-0-
December 31, 1995	389,115	100	-0-
December 31, 1994	393,952	100	-0-

A schedule of funding progress may be found in the required supplementary information immediately following the notes to the financial statements.

**CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 - DEFINED BENEFIT PENSION PLANS (Continued):

Police Pension and Firemen's Pension Funds:

A. Plan descriptions

Police Pension Plan

Police sworn personnel are covered by the Police Pension Plan. Although this is a single-employer pension plan, the defined benefits and employee and employer contribution levels are governed by Illinois Compiled Statutes (40 ILCS 5/3-1) and may be amended only by the Illinois legislature. The City accounts for the Plan as a Pension Trust Fund.

The financial statements of the Police Pension Fund are prepared using the accrual basis of accounting. Employee contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. All plan investments are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price. Securities without an established market are reported at estimated fair value.

Covered employees attaining the age of 50 or more with 20 or more years of creditable service are entitled to receive an annual retirement benefit of 2.5 percent of final salary for each year of service up to 30 years, to a maximum of 75 percent of such salary.

Employees with at least eight years but less than 20 years of credited service may retire at or after age 60 and receive a reduced benefit of 2.5 percent of final salary for each year of service.

Surviving spouses receive 100 percent of final salary for fatalities resulting from an act of duty, or otherwise the greater of 50 percent of final salary or the employee's retirement benefit.

Employees disabled in the line of duty receive 65 percent of final salary.

The monthly pension of a covered employee who retired with 20 or more years of service after January 1, 1977, shall be increased annually, following the first anniversary date of retirement and be paid upon reaching the age of at least 55 years by 3 percent of the originally granted pension. Beginning with increases granted on or after July 1, 1993, the second and subsequent automatic annual increases shall be calculated as 3 percent of the amount of the pension payable at the time of the increase.

Employees are required by ILCS to contribute 9.91 percent of their base salary to the Police Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest.

The City funds its contribution to the Police Pension Plan through an annual tax levy. The levy amount is actuarially determined as the annual contribution necessary to fund the normal cost, plus the amount to amortize the unfunded accrued liability. Effective July 1, 1993, the City has until the year 2033 to fully fund the past services costs for the Police Pension Plan.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE 3 - DEFINED BENEFIT PENSION PLANS (Continued):

Firemen's Pension Plan

Fire sworn personnel are covered by the Firemen's Pension Plan. Although this is a single-employer pension plan, the defined benefits and employee and employer contribution levels are governed by the Illinois Compiled Statutes (40 ILCS 5/4-1) and may be amended only by the Illinois legislature. The City accounts for the Plan as a Pension Trust Fund.

The financial statements of the Firemen's Pension Fund are prepared using the accrual basis of accounting. Employee contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. All plan investments are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price. Securities without an established market are reported at estimated fair value.

Covered employees attaining the age of 50 or more with 20 or more years of creditable service are entitled to receive an annual retirement benefit of one-half of the monthly salary attached to the rank held in the fire service at the date of retirement. The monthly pension shall be increased by one-twelfth of 2.5 percent of such monthly salary for each additional month of service over 20 years up to 30 years, to a maximum of 75 percent of such monthly salary.

Employees with at least ten years, but less than 20 years of credited service, may retire at or after age 60 and receive a reduced retirement benefit ranging from 15 percent of final salary for 10 years of service to 45.6 percent for 19 years of service.

Surviving spouses receive 100 percent of final salary for fatalities resulting from an act of duty, or otherwise 54 percent of final salary. Surviving children receive 12 percent of final salary. The maximum family survivor benefit is 75 percent of final salary.

Employees disabled in the line of duty receive 65 percent of final salary.

The monthly pension of a covered employee who retired with 20 or more years of service after January 1, 1977, shall be increased annually, following the first anniversary date of retirement and be paid upon reaching the age of at least 55, by 3 percent of the amount of the pension payable at the time of the increase.

Covered employees are required by ILCS to contribute 8.455 percent of their base salary to the Firemen's Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest.

The City funds its contribution to the Firemen's Pension Plan through an annual tax levy. The levy amount is actuarially determined as the annual contribution necessary to fund the normal cost, plus the amount to amortize the unfunded accrued liability. Effective July 1, 1993, the City has until the year 2033 to fully fund the past services costs for the Firemen's Pension Plan.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE 3 - DEFINED BENEFIT PENSION PLANS (Continued):

B. Significant Investments

There are no significant investments (other than U.S. Government guaranteed obligations) in any one organization that represent 5 percent or more of plan net assets for either the Police or the Firemen's Pension Plans.

C. Annual Pension Costs

Actuarial valuations are performed annually. Unless otherwise indicated, information on Police and Firemen's pension in this note is provided as of the latest actuarial valuation, April 30, 2003. There are no material current year changes to the actuarial assumptions and benefit provisions.

Membership of the plans is as follows:

	<u>Police Pension</u>	<u>Firemen's Pension</u>
Retirees and beneficiaries receiving benefits	49	68
Terminated plan members entitled to but not yet receiving benefits	-0-	-0-
Active vested plan members	37	21
Active nonvested plan members	<u>36</u>	<u>27</u>
Total	<u>122</u>	<u>116</u>

Employer contributions have been determined as follows:

	<u>Police Pension</u>	<u>Firemen's Pension</u>
Employer contribution rate	25.40% of covered payroll	44.76% of covered payroll
Actuarial cost method	Entry-age normal	Entry-age normal
Asset valuation method	Market	Market
Amortization method	Level percentage of payroll, closed	Level percentage of payroll, closed
Amortization period	30 years	30 years
Significant actuarial assumptions:		
(a) Investment rate of return*	8.5% Compounded annually	8.5% Compounded annually
(b) Projected salary increases*	5% Compounded annually	5% Compounded annually
(c) Cost of living adjustments	3% per year	3% per year
* Includes inflation at	3%	3%

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE 3 - DEFINED BENEFIT PENSION PLANS (Continued):

Employer annual pension costs (APC), actual contributions and the net pension obligation (NPO) are as follows. The NPO is the cumulative difference between the Annual Required Contribution (ARC) and the contributions actually made.

	Year Ending <u>April 30,</u>	<u>Police Pension</u>	<u>Firemen's Pension</u>
Annual pension costs (APC)	2001	\$661,737	\$ 944,239
	2002	827,573	1,051,989
	2003	983,074	1,162,451
Actual contribution	2001	\$538,428	\$ 763,606
	2002	701,806	887,458
	2003	856,688	1,052,809
Percentage of APC contributed	2001	81.4%	80.9%
	2002	84.8%	84.4%
	2003	87.1%	90.6%
NPO	2001	\$3,731,642	\$5,259,903
	2002	3,857,409	5,424,434
	2003	3,983,795	5,534,076

The NPO at April 30, 2003 has been calculated as follows:

	<u>Police Pension</u>	<u>Firemen's Pension</u>
Annual required contribution	\$ 856,688	\$ 984,722
Interest on net pension obligation	327,880	461,077
Adjustment to annual required contribution	(201,494)	(283,348)
Annual pension cost	983,074	1,162,451
Contributions made	<u>856,688</u>	<u>1,052,809</u>
Increase in net pension obligation	126,386	109,642
Net pension obligation, beginning of year	<u>3,857,409</u>	<u>5,424,434</u>
Net pension obligation, end of year	<u>\$3,983,795</u>	<u>\$5,534,076</u>

A schedule of funding progress and a schedule of employer contributions may be found in the required supplementary information immediately following the notes to the financial statements.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE 4 - RESERVED FUND BALANCES:

General Fund

Reserve for Prepaid Insurance

The City is insured through the Illinois Public Risk Fund. The period of coverage is from December 15, 2003, through December 15, 2004. The portion of insurance prepaid is shown as a reserved fund balance. At April 30, 2004, the fund balance was reserved for

\$395,313

The City of Kankakee maintains an inventory of gasoline. The value of the inventory is shown as a reserved fund balance. At April 30, 2004, the fund balance was reserved for

13,617

Total General Fund Reserves

\$408,930

Tax Increment Financing District No. 8:

Reserve for Economic Development

The City has reserved the unexpended portion of Series 2003 Bonds issued in October 2003 for future economic development activities of the District in the amount of

\$1,236,004

Capital Projects Fund

Reserve for Capital Projects

The City has reserved the unexpended portion of Series 2004 Bonds issued in April 2004 for capital projects in the amount of

\$1,556,391

Nonmajor Governmental Funds:

Motor Fuel Tax Fund

Reserve for Unexpended Program Amounts

The City has reserved the unexpended amounts for the 2003 and 2004 street maintenance programs for a total of

\$ 325,801

Debt Service Funds:

Reserve for Debt Service

The City of Kankakee has a reserve of fund balance for the retirement of General Obligation Bonds. At April 30, 2004, the fund balance was reserved for

1,828,760

\$2,154,561

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE 4 - RESERVED FUND BALANCES (Continued):

Fiduciary Funds:

Firemen's and Police Pension Funds:

Reserve for Employees' Pension Benefits

The City of Kankakee has reserved the net assets held in trust for the benefit of all active members and pensioners of the Firemen's and Police Pension Funds. At April 30, 2004, the fund balance was reserved as follows:

Firemen's Pension Fund	\$ 9,345,052
Police Pension Fund	<u>9,884,807</u>
	<u>\$19,229,859</u>

NOTE 5 - CAPITAL ASSETS:

A summary of changes in capital assets of the City and its component units for the year ended April 30, 2004 is as follows:

	Balance May 1, 2003	<u>Additions</u>	<u>Deletions</u>	Balance April 30, 2004
Primary government:				
Governmental activities:				
Capital assets not being depreciated:				
Land	\$1,173,237			\$ 1,173,237
Construction in progress	<u>600,000</u>	<u>\$741,803</u>	<u>\$600,000</u>	<u>741,803</u>
Total capital assets not being depreciated	<u>1,773,237</u>	<u>741,803</u>	<u>600,000</u>	<u>1,915,040</u>
Capital assets being depreciated:				
Buildings	3,823,801		462,503	3,361,298
Equipment	1,135,974	124,865		1,260,839
Vehicles	4,409,991	384,431		4,794,422
Land improvements	611,777	119,895		731,672
Infrastructure	<u> </u>	<u>637,912</u>	<u> </u>	<u>637,912</u>
Total capital assets being depreciated	<u>9,981,543</u>	<u>1,267,103</u>	<u>462,503</u>	<u>10,786,143</u>

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE 5 - CAPITAL ASSETS (Continued):

	Balance May 1, 2003	<u>Additions</u>	<u>Deletions</u>	Balance April 30, 2004
Less accumulated depreciation:				
Buildings	\$1,637,531	\$ 59,722	\$462,503	\$ 1,234,750
Equipment	984,430	77,017		1,061,447
Vehicles	2,541,041	282,816		2,823,857
Land improvements	350,975	24,624		375,599
Infrastructure	<u>15,948</u>	<u>15,948</u>		<u>15,948</u>
Total accumulated depreciation	<u>5,513,977</u>	<u>460,127</u>	<u>462,503</u>	<u>5,511,601</u>
Total capital assets being depreciated, net	<u>4,467,566</u>	<u>806,976</u>	<u>-0-</u>	<u>5,274,542</u>
Total capital assets, net	<u>\$6,240,803</u>	<u>\$1,548,779</u>	<u>\$600,000</u>	<u>\$ 7,189,582</u>

Depreciation expense for governmental activities for the year ended April 30, 2004, was charged to functions as follows:

General government	\$ 54,356
Public safety	194,719
Public works	145,235
Community development	<u>65,817</u>
	<u>\$460,127</u>

	Balance May 1, 2003	<u>Additions</u>	<u>Deletions</u>	Balance April 30, 2004
Business-type activities:				
Utility:				
Capital assets not being depreciated				
Land	\$ 257,359			\$ 257,359
Construction in progress	<u>692,750</u>	<u>\$1,373,362</u>	<u>\$850,137</u>	<u>1,215,975</u>
Total capital assets not being depreciated	<u>950,109</u>	<u>1,373,362</u>	<u>850,137</u>	<u>1,473,334</u>
Capital assets being depreciated:				
Buildings	11,695,519			11,695,519
Equipment	971,751	251,581		1,223,332
Vehicles	600,960	3,440		604,400
Leasehold improvements	289,696			289,696
Infrastructure	<u>18,132,188</u>	<u>3,257,440</u>	<u>---</u>	<u>21,389,628</u>
Total capital assets being depreciated	<u>31,690,114</u>	<u>3,512,461</u>	<u>-0-</u>	<u>35,202,575</u>

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE 5 - CAPITAL ASSETS (Continued):

	Balance May 1, 2003	Additions	Deletions	Balance April 30, 2004
Less accumulated depreciation:				
Buildings	\$ 3,170,210	\$ 250,074		\$ 3,420,284
Equipment	407,365	64,965		472,330
Vehicles	394,402	63,498		457,900
Leasehold improvements	3,907	8,296		12,203
Infrastructure	<u>6,134,633</u>	<u>424,576</u>	—	<u>6,559,209</u>
Total accumulated depreciation	<u>10,110,517</u>	<u>811,409</u>	\$ -0-	<u>10,921,926</u>
Total capital assets being depreciated, net	<u>21,579,597</u>	<u>2,701,052</u>	-0-	<u>24,280,649</u>
Total capital assets, net	<u>\$22,529,706</u>	<u>\$4,074,414</u>	<u>\$850,137</u>	<u>\$25,753,983</u>
Motor vehicle parking:				
Capital assets not being depreciated:				
Land	<u>\$1,443,807</u>	\$-0-	\$-0-	<u>\$1,443,807</u>
Capital assets being depreciated:				
Equipment	82,384			82,384
Vehicles	18,555			18,555
Land improvements	<u>731,992</u>	—	—	<u>731,992</u>
Total capital assets being depreciated	<u>832,931</u>	-0-	-0-	<u>832,931</u>
Less accumulated depreciation:				
Equipment	82,384			82,384
Vehicles	18,555			18,555
Land improvements	<u>731,992</u>	—	—	<u>731,992</u>
Total accumulated depreciation	<u>832,931</u>	-0-	-0-	<u>832,931</u>
Total capital assets being depreciated, net	-0-	-0-	-0-	-0-
Total capital assets, net	<u>\$1,443,807</u>	\$-0-	\$-0-	<u>\$1,443,807</u>

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE 5 - CAPITAL ASSETS (Continued):

Component Unit:	Balance May 1, 2003	Additions	Deletions	Balance April 30, 2004
Library:				
Capital assets being depreciated:				
Buildings	\$6,422,889			\$6,422,889
Equipment		\$ 59,489		59,489
Leasehold improvements		<u>156,317</u>		<u>156,317</u>
Total capital assets being depreciated	<u>6,422,889</u>	<u>215,806</u>	\$-0-	<u>6,638,695</u>
Less accumulated depreciation:				
Buildings	321,145	321,144		642,289
Equipment		11,898		11,898
Leasehold improvements		<u>7,816</u>		<u>7,816</u>
Total accumulated depreciation	<u>321,145</u>	<u>340,858</u>	-0-	<u>662,003</u>
Total capital assets, net	<u>\$6,101,744</u>	<u>\$(125,052)</u>	\$-0-	<u>\$5,976,692</u>

NOTE 6 - INTERFUND RECEIVABLES AND PAYABLES:

Interfund balances at April 30, 2004 consisted of the following:

Primary government:	
Governmental funds:	
Due to General Fund from:	
Fiduciary funds	\$ 2,038
Nonmajor governmental funds	<u>530,834</u>
Total	<u>\$532,872</u>
Component units:	
Library	<u>\$259,998</u>
Due to Capital Projects Fund from:	
Nonmajor governmental funds	<u>\$637,957</u>
Due to nonmajor governmental funds from:	
General Fund	\$ 50,575
Capital Projects Fund	26,734
Nonmajor governmental funds	<u>378,624</u>
Total	<u>\$455,933</u>

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - INTERFUND RECEIVABLES AND PAYABLES (Continued):

Component units:	
Library	\$ <u>3,857</u>
Enterprise funds:	
Due to Kankakee Municipal Utility from:	
General Fund	\$ 22,470
Nonmajor governmental funds	<u>120,243</u>
Total	<u>\$142,713</u>
Component units:	
Due to Special Service Area #1 from:	
Nonmajor governmental funds	<u>\$158,331</u>

These balances resulted from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made. All these interfund balances are expected to be repaid within one year.

NOTE 7 - ACCOUNTS RECEIVABLE:

An analysis of the collectibility of accounts receivable for sewer, garbage collection, community oriented policing fees and Community Development Agency loans was performed as of April 30, 2004. The analysis shows that the collection of approximately \$258,750 of these accounts is doubtful. An allowance for uncollectible accounts for this amount has been recorded. All receivables are scheduled for collection during the fiscal year ending April 30, 2005.

Accounts receivable at April 30, 2004, are as follows:

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Activities</u>
Governmental activities:			
Community oriented policing fees and trash collection	\$323,011		\$ 323,011
Community development loans		\$ 230,607	230,607
Other receivables	<u>99,194</u>		<u>99,194</u>
Total	422,025	230,607	652,812
Less: allowance for doubtful accounts	<u>(79,750)</u>	<u>(179,000)</u>	<u>(258,750)</u>
	<u>\$342,455</u>	\$ <u>51,607</u>	\$ <u>394,062</u>

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE 7 - ACCOUNTS RECEIVABLE:

	<u>Kankakee Municipal Utility</u>	<u>Nonmajor Proprietary Funds</u>	<u>Total Business-type Activities</u>
Business-type activities:			
Sewer charges	\$2,060,756		\$2,060,756
Garbage collection	622,967		622,967
Parking		\$150	150
Other receivables	<u>13,782</u>	<u>—</u>	<u>13,782</u>
Total	2,697,505	150	2,697,655
Less: allowance for doubtful accounts	<u>(239,250)</u>	<u>—</u>	<u>(239,250)</u>
	<u>\$2,458,255</u>	<u>\$150</u>	<u>\$2,458,405</u>

NOTE 8 - DUE FROM OTHER GOVERNMENTAL AGENCIES:

The following receivables are included in due from other governmental agencies:

Governmental activities:

General Fund:

Sales tax	\$2,285,879
Local use tax	48,068
State income tax	370,927
State replacement tax	82,567
Various grants	<u>71,115</u>
	<u>2,858,556</u>

Nonmajor governmental funds:

CDBG Grant	114,555
Motor Fuel Tax	58,928
Senior Aides Grant	<u>17,215</u>
	<u>190,698</u>

Total governmental activities \$3,049,254

Business-type activities:

Kankakee Municipal Utility:

Kankakee River Metropolitan Agency	<u>\$143,689</u>
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CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE 9 - LONG-TERM DEBT OBLIGATIONS:

A summary of changes in long-term debt for the year ended April 30, 2004 is as follows:

	Balance May 1, 2003	Increases	Decreases	Balance April 30, 2004	Due within One Year
Primary Government:					
Governmental activities:					
General obligation bonds	\$33,960,000	\$24,420,000	\$ 9,750,828	\$48,629,172	\$2,190,000
Installment notes	2,893,657	410,610	2,571,181	733,086	231,118
Real estate purchase contract	600,000		600,000		
Capital lease obligations	27,377	17,395	28,723	16,049	2,083
Unfunded employer pension contributions	9,281,843	2,145,525	1,909,497	9,517,871	
Compensated absences	<u>2,921,000</u>	<u>235,200</u>		<u>3,156,200</u>	<u>358,500</u>
Total general long-term debt	<u>\$49,683,877</u>	<u>\$27,228,730</u>	<u>\$14,860,229</u>	<u>\$62,052,378</u>	<u>\$2,781,701</u>
Business-type activities:					
Revenue bonds	\$7,561,306		\$ 262,477	\$7,298,829	\$470,000
Installment notes	3,931		3,931		
Compensated absences	<u>377,000</u>		<u>103,000</u>	<u>274,000</u>	<u>31,000</u>
Total	<u>\$7,565,237</u>	<u>\$-0-</u>	<u>\$ 369,408</u>	<u>\$7,572,829</u>	<u>\$501,000</u>
Component units:					
General obligation bonds	\$ 335,000		\$ 80,000	\$ 255,000	\$ 80,000
Capital lease obligations	<u>4,947,525</u>		<u>2,412,165</u>	<u>2,535,360</u>	<u>49,825</u>
Total	<u>\$5,282,525</u>	<u>\$-0-</u>	<u>\$2,492,165</u>	<u>\$2,790,360</u>	<u>\$129,825</u>

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE 9 - LONG-TERM DEBT OBLIGATIONS (Continued):

Long-term liabilities other than debt typically have been liquidated in the General Fund.

Long-term debt is comprised of the following:

	<u>Governmental Funds</u>	<u>Component Units</u>
<u>General Obligation Bonds</u>		
\$3,865,000 City of Kankakee Serial bonds dated December 1, 1995, due in annual installments on January 1, of amounts ranging from \$200,000 to \$225,000, through January 2008, plus interest ranging from 4.0% to 5.5% payable semiannually.	\$ 835,000	
\$7,200,000 City of Kankakee serial bonds dated April 1, 1997, due in annual installments on January 1, of amounts ranging from \$40,000 to \$215,000, through January 2013, plus interest ranging from 4.1% to 5.3%, payable semiannually.	855,000	
\$3,265,000 City of Kankakee serial bonds dated January 1, 1998, due in annual installments on January 1 of amounts ranging from \$60,000 to \$405,000, through January 2018, plus interest ranging from 4.500% to 5.375%, payable semiannually.	3,100,000	
\$6,735,000 City of Kankakee serial bonds dated December 15, 1998, due in annual installments on January 1, of amounts ranging from \$125,000 to \$610,000, through January 2015, plus interest ranging from 4.2% to 5.0%, payable semiannually.	6,155,000	
\$6,785,000 City of Kankakee serial bonds dated February 1, 1999, due in annual installments on January 1 of amounts ranging from \$215,000 to \$640,000, through January 2015, plus interest ranging from 3.8% to 4.8%, payable semiannually.	5,810,000	
\$4,590,000 City of Kankakee serial bonds dated August 15, 2000, due in annual installments on January 1, of amounts ranging from \$25,000 to \$440,000, through January 2025, plus interest ranging from 4.5% to 5.6%, payable semiannually.	3,865,000	

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE 9 - LONG-TERM DEBT OBLIGATIONS (Continued):

	<u>Governmental Funds</u>	<u>Component Units</u>
\$1,790,000 City of Kankakee serial bonds dated August 15, 2000, due in annual installments on January 1, of amounts ranging from \$405,000 to \$425,000, through January 2005, plus interest ranging from 4.40% to 4.65%, payable semiannually.	\$ 425,000	
\$3,595,000 City of Kankakee serial bonds dated December 6, 2001, due in annual installments on January 1, of amounts ranging from \$80,000 to \$365,000 through January 2015, plus interest ranging from 2.1% to 4.5%, payable semiannually.	3,040,000	\$255,000
\$450,000 City of Kankakee serial bonds dated December 6, 2001, due in annual installments on January 1, of amounts ranging from \$60,000 to \$70,000, through January 2009, plus interest ranging from 3.05% to 3.90%, payable semiannually.	330,000	
\$450,000 City of Kankakee serial bonds dated December 6, 2001, due in annual installments on January 1, of amounts ranging from \$60,000 to \$70,000, through January 2009, plus interest ranging from 3.05% to 3.90%, payable semiannually.	330,000	
\$3,960,000 City of Kankakee serial bonds dated June 1, 2003, due in annual installments on January 1, of amounts ranging from \$35,000 to \$1,240,000, through January 2014, plus interest ranging from 2.25% to 5.25%, payable semiannually.	3,960,000	
\$4,860,000 City of Kankakee serial bonds dated June 1, 2003, due in annual installments on January 1, of amounts ranging from \$250,000 to \$490,000, through January 2019, plus interest ranging from 2.25% to 5.25%, payable semiannually.	4,860,000	
\$6,000,000 City of Kankakee variable rate serial bonds dated October 2, 2003, due in annual installments on January 1, of amounts ranging from \$140,000 to \$1,120,000 through January 2023, payable semiannually. Interest on these bonds is paid at a rate applicable to 90-day U.S. Treasury bills and is reset weekly.	6,000,000	

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE 9 - LONG-TERM DEBT OBLIGATIONS (Continued):

	<u>Governmental Funds</u>	<u>Component Units</u>
\$9,600,000 City of Kankakee serial bonds dated April 1, 2004, due in annual installments on January 1, of amounts ranging from \$130,000 to \$1,820,000, through January 2020, plus interest ranging from 2.0% to 4.0%, payable semiannually.	\$ <u>9,600,000</u>	<u> </u>
	49,165,000	\$255,000
Less: deferred loss on early retirement of general obligation bonds	<u>(535,828)</u>	<u> </u>
Total General Obligation Bonds	<u>\$48,629,172</u>	<u>\$255,000</u>

The annual requirements to amortize all short and long-term general obligation bonds outstanding at April 30, 2004, are as follows:

Primary Government:
Governmental activities:

<u>Year Ending April 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 2,190,000	\$ 1,960,111	\$ 4,150,111
2006	2,455,000	1,942,556	4,397,556
2007	2,680,000	1,846,778	4,526,778
2008	3,060,000	1,749,609	4,809,609
2009	3,275,000	1,634,431	4,909,431
2010 - 2014	20,645,000	6,127,612	26,772,612
2015 - 2019	11,960,000	1,833,561	13,793,561
2020 - 2024	2,850,000	332,850	3,182,850
2025	<u>50,000</u>	<u>2,800</u>	<u>52,800</u>
	<u>\$49,165,000</u>	<u>\$17,430,308</u>	<u>\$66,595,308</u>

Component Unit - Special Service Area #1:

<u>Year Ending April 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 80,000	\$ 8,390	\$ 88,390
2006	85,000	5,910	90,910
2007	<u>90,000</u>	<u>3,105</u>	<u>93,105</u>
	<u>\$255,000</u>	<u>\$17,405</u>	<u>\$272,405</u>

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE 9 - LONG-TERM OBLIGATIONS (Continued):

Installment Notes

\$1,000,000 note, obtained pursuant to the public offering of trust certificates guaranteed under Section 108 of the Housing and Development Act of 1994, as amended, payable in annual installments on August 1, of amounts ranging from \$150,000 to \$175,000, through August 2005, plus accrued interest at variable rate on February 1 and August 1 of each year.	\$335,000
\$262,160 unsecured bank note, dated December 16, 2003, payable in 12 semiannual payments of \$24,243, including interest at 3.23%, through December 16, 2009.	262,160
\$97,910 bank note, dated September 15, 2003, secured by equipment, payable in five annual payments of \$21,593, including interest at 3.30%, through September 15, 2008.	97,910
\$50,540 bank note at 3.3%, dated August 29, 2003, secured by vehicles. The City made a payment of \$12,635, including interest, on September 22, 2003. The remaining balance is payable in three annual payments of \$13,885, including interest, through August 29, 2006.	<u>38,016</u>
Total installment notes	<u>\$733,086</u>

The annual requirements to amortize all short and long-term installment loans outstanding at April 30, 2004, are as follows:

<u>Year Ending</u> <u>April 30,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$231,118	\$27,164	\$258,282
2006	248,511	20,454	268,965
2007	74,879	8,011	82,890
2008	64,557	5,523	70,080
2009	66,699	3,380	70,079
2010	<u>47,322</u>	<u>1,166</u>	<u>48,488</u>
	<u>\$733,086</u>	<u>\$65,698</u>	<u>\$798,784</u>

Capital Lease Obligations

The City has entered into lease agreements as lessee for financing the acquisition of certain vehicles and the library building. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments in the appropriate capital asset accounts. The following is a schedule of capital lease obligations and the minimum lease payments.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE 9 - LONG-TERM OBLIGATIONS (Continued):

	<u>Governmental Activities</u>	<u>Component Units</u>
\$17,396 lease, plus interest of \$2,088, due in monthly installments of \$394, including interest, through April 2007, and a final payment of \$8,018, including interest in April 2007. Payable from the Community Development Agency Fund.	\$16,049	
\$6,422,889 lease, plus interest of \$2,077,111, due in monthly installments of \$15,000, including interest, through October 2028. Payable from Kankakee Public Library Fund, a component unit.		\$2,535,360
Total minimum lease payments	\$16,049	\$2,535,360

The following is an analysis of the assets recorded under capital leases at April 30, 2004:

<u>Classes of Property</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Governmental Funds:			
Vehicles	\$21,860	\$2,186	\$19,674
Component Units - Library:			
Buildings	\$6,422,889	\$642,289	\$5,780,600

Future minimum lease payments for all capital lease obligations:

<u>Year Ending April 30,</u>	<u>Governmental Activities</u>	<u>Component Unit Library</u>
2005	\$ 2,646	\$ 165,000
2006	3,528	180,000
2007	11,546	180,000
2008		180,000
2009		180,000
2010 - 2014		900,000
2015 - 2019		900,000
2020 - 2024		900,000
2025 - 2029		810,000
Total minimum lease payments	17,720	4,395,000
Less: amount representing interest	(1,671)	(1,859,640)
Present value of minimum lease payments	\$16,049	\$ 2,535,360

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE 9 - LONG-TERM OBLIGATIONS (Continued):

Unfunded Employer Pension Contributions

Cumulative difference between the annual pension cost and the contributions funded for the Police Pension Fund	\$ 3,983,795
Cumulative difference between the annual pension cost and the contributions funded for the Firemen's Pension Fund	<u>5,534,076</u>
Total Unfunded Employer Pension Contributions due from General Fund	<u>\$9,517,871</u>

<u>Compensated Absences</u>	<u>Governmental Funds</u>	<u>Enterprise Funds</u>
Vested portion of the vacation and sick leave and other employee benefits which are expected to be paid from the governmental funds	<u>\$3,156,200</u>	<u>\$274,000</u>

Revenue Bonds

Details of the revenue bond indebtedness of the City's Enterprise Funds at April 30, 2004 are as follows:

\$7,140,000 Kankakee Municipal Utility serial bonds dated April 22, 1999, due in annual installments on May 1, of amounts ranging from \$215,000 to \$560,000 through May 1, 2018, plus interest at rates ranging from 4.10% to 6.00%, payable semiannually.	\$ 5,795,000
Less: deferred loss on early Retirement of Sewerage Refunding Revenue Bonds, Series 1991	<u>(2,246,171)</u>
	3,548,829
\$4,270,000 Kankakee Municipal Utility serial bonds dated December 1, 2003, due in annual installments on May 1, of amounts ranging from \$145,000 to \$295,000 through May 1, 2022, plus interest at rates ranging from 2.45% to 5.00%, payable semiannually.	<u>3,750,000</u>
Total revenue bonds	<u>\$ 7,298,829</u>

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE 9 - LONG-TERM OBLIGATIONS (Continued):

Debt service on the above revenue bonds payable are at April 30, 2004, as follows:

Year Ending April 30,	Kankakee Municipal Utility		
	Principal	Interest	Total
2005	\$ 470,000	\$ 435,823	\$ 905,823
2006	490,000	417,930	907,930
2007	510,000	398,626	908,626
2008	530,000	377,935	907,935
2009	555,000	355,576	910,576
2010 - 2014	3,155,000	1,388,173	4,543,173
2015 - 2019	2,985,000	587,743	3,572,743
2020 - 2024	850,000	85,696	935,696
	<u>\$9,545,000</u>	<u>\$4,047,502</u>	<u>\$13,592,502</u>

There are limitations and restrictions in the various bond ordinances, including the requirement that certain special reserve accounts be maintained at specific minimum levels for the revenue bonds. The City of Kankakee met all reserve provisions as required for the revenue bonds.

The Kankakee Municipal Utility covenants in the bond ordinance to establish, maintain and collect at all times fees, charges and rates for the use and service of the system, sufficient at all times to pay operating and maintenance costs, to pay the principal of and interest on all revenue bonds of the City which by their terms are payable solely from the revenues, to provide net revenues in each fiscal year in the amount of not less than 120 percent of the current debt service requirement for all outstanding bonds for such fiscal year, and to the extent necessary after the application of the net revenues available pursuant to the rate covenant described in this paragraph, such additional amounts as may be required to provide an adequate depreciation fund, and to provide for the creation and maintenance of the respective accounts described above. "Current Debt Service Requirement" as used in this paragraph means the amount required to be credited under the bond ordinance to the bond and interest account in a given fiscal year. During the year ended April 30, 2004, the Kankakee Municipal Utility did not comply with this rate covenant.

NOTE 10 - PROPERTY TAXES:

Property taxes are levied each year on all taxable real property located in the City. The City must file its tax levy ordinance by the last Tuesday of December of each year. The owner of real property on January 1 (lien date) in any year is liable for taxes of that year. Property taxes are collected by the Kankakee County Collector who remits to the City its share of the collection. Taxes levied for calendar year 2002 were due, payable, and collected in two installments in June and September 2003.

Revenue for property taxes is recognized in the governmental funds in the year for which the taxes are intended to finance and the funds are available. The City considers property tax revenue to be available if it is collected during the current year or within 60 days after year end. Property taxes levied for calendar year 2002 are intended to finance the fiscal year 2004 expenditures. Accordingly, the City recognized revenue during the year ended April 30, 2004 for collections from the calendar year 2002 levy if it was received by June 30, 2004. Property taxes levied for calendar year 2003, which will be collected in fiscal year 2005, are recorded as receivables and deferred revenue. At April 30, 2004, the City and its

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE 10 - PROPERTY TAXES:

component units have deferred property taxes receivable of \$8,702,970 and \$1,406,800, respectively, based on the availability criteria. The 2004 tax levy, which attached as an enforceable lien on property as January 1, 2004, has not been recorded as a receivable as of April 30, 2004, as the tax has not yet been levied by the City and will not be levied until December 2004, and therefore, the levy is not measurable at April 30, 2004.

NOTE 11 - INTERFUND TRANSFERS:

The following paragraphs provide information concerning the various interfund transfers for the year ended April 30, 2004:

The General Fund transferred \$217,349 to the Debt Service Fund to provide for bond and interest retirement.

The General Fund transferred \$24,375 to the Tax Increment Financing District No. 6 to provide for certain real estate and utility tax reimbursements.

The Tax Increment District No. 8 Fund transferred \$1,085,672 to the Debt Service Fund to place in custody with the trustee and liquidity provider of Series 2003 bonds for the assurance of continual payment of principal and interest.

The Capital Projects Fund transferred \$612,788 to Kankakee Municipal Utility to provide for the local match portion of the Hydroelectric Project Grant.

The Capital Projects Fund transferred \$63,181 to Tax Increment District No. 1 to provide for various capital expenditures.

The Kankakee Municipal Utility Fund transferred \$179,960 to the General Fund to provide for payments in arrears to the Debt Service Fund for 1992A General Obligation Bond, provided for by the General Fund.

The Kankakee Municipal Utility transferred \$116,000 to General Fund as payment in lieu of taxes.

The Capital Projects Fund transferred \$352,807 to the General Fund to provide for various capital expenditures.

The Tax Increment Financing District No. 1 Fund transferred \$757,678 to the Debt Service Fund to provide for bond and interest retirement.

The Tax Increment District No. 1 Fund transferred \$158,331 to the Special Service Area No. 1, a component unit, to provide for certain capital improvements.

The Tax Increment District No. 1 transferred \$3,292,205 to the Kankakee Public Library, a component unit, to subsidize, in part, the City's share of the cost of the library building and its renovation.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE 11 - INTERFUND TRANSFERS (Continued):

The Tax Increment Financing District No. 2 Fund transferred \$74,190 to the Debt Service Fund to provide for bond and interest retirement.

The Tax Increment District No. 2 transferred \$153,823 to the General Fund to provide for the public safety costs incurred on behalf of the District.

The Tax Increment District No. 3 transferred \$105,000 to the General Fund to provide for the public safety costs incurred on behalf of the District.

The Tax Increment Financing District No. 4 Fund transferred \$74,190 to the Debt Service Fund to provide for bond and interest retirement.

The Tax Increment Financing District No. 5 Fund transferred \$129,708 to the Debt Service Fund to provide for bond and interest retirement.

The Tax Increment Financing District No. 6 Fund transferred \$215,145 to the Debt Service Fund to provide for bond interest retirement.

The Tax Increment Financing District No. 7 Fund transferred \$31,905 to the Debt Service Fund to provide for bond and interest retirement.

The Special Service Area No. 1, a component unit, transferred \$90,870 to the Debt Service Fund to provide for bond and interest retirement.

NOTE 12 - SEGMENT INFORMATION:

The City maintains two enterprise funds which provide various services to the general public:

Kankakee Municipal Utility - Accounts for the operation of the City sewer and solid waste systems and the production, transmission and delivery of electric power. The City issues revenue bonds to support its utility activities. The fund financial statements report the Utility as a major fund. All segment report requirements are included in the fund financial statements.

Motor Vehicle Parking - Accounts for the parking services of the City including monitoring and maintaining city-owned parking facilities. No segment reporting is required for the parking activity because of the absence of revenue-backed debt.

NOTE 13 - FEDERAL PROGRAM AUDITS:

The City participates in a number of federally assisted grant programs, principal of which are the Community Development Block Grant, Lead-based Paint Hazard Control Program and various Department of Justice programs. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the City may be required to reimburse the grantor government. As of April 30, 2004, significant amounts of grant expenditures have not been audited, but the City believes that disallowed expenditures, discovered in subsequent audits, if any, will not have a material effect on any of the individual funds or the overall financial position of the City.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE 14 - COMMITMENTS:

Operating Leases

In July 1988, the City leased the Kankakee Dam for 60 years from the Illinois Department of Conservation for the purpose of constructing, operating and maintaining the Hydroelectric Plant. The annual lease payment is based on the number of kilowatt hours of electricity produced by the Hydroelectric Plant plus \$1,200 each year. The annual lease payment for the year ended April 30, 2004 was \$4,746.

Kankakee Municipal Utility entered into a lease agreement with Space Center Chicago, Inc. on October 5, 2001 to lease 34,922 square feet of office and warehouse space. The lease was scheduled to commence on December 15, 2001 and continue for a period of 240 months. Rent will consist of a base amount plus additional rent composed of operating expenses, amortization of tenant improvements and Common Area Maintenance charges. The actual commencement date was April 2002. Rent expense for the year ended April 30, 2004 was \$219,308.

Construction Commitments

The City has several active construction projects as of April 30, 2004. These projects and the City's commitment with contractors at April 30, 2004 are as follows:

<u>Project</u>	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
Governmental activities:		
Station street bridge	\$ 55,981	\$3,500,000
Varney road	38,790	1,380,000
Ray's subdivision improvements	6,202	815,061
Fifth Avenue Road - Court to Cypress	640,830	414,720
	<u>\$ 741,803</u>	<u>\$6,109,781</u>
Business-type activities:		
Hydroelectric project	\$ 480,115	\$ 376,625
Storm and sanitary improvements	281,221	859,995
Various other sewer improvements	264,464	520,340
Fifth Avenue bridge	66,446	433,554
Stone Street Odor Control	34,437	328,013
Park district utility extension	79,792	45,208
Soldier Creek	9,500	39,150
	<u>\$1,215,975</u>	<u>\$2,602,885</u>

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE 15 - EXPENDITURES AND APPROPRIATIONS:

Excesses of expenditures over appropriations in individual funds for the year ended April 30, 2004 were as follows:

	<u>Expenditures</u>	<u>Appropriations</u>	<u>Excess</u>
General Fund	\$16,837,603	\$15,944,835	\$892,768
Park Fund	41,462	35,000	6,462

NOTE 16 - DEFICIT FUND BALANCE:

At April 30, 2004, the following funds had deficit fund balances. These deficits are not in violation of any state law.

Primary Government:

General Obligation Bonds, Series 1995	\$ 1,668
General Obligation Bonds, Series 1997	15,234
General Obligation Bonds, Series 2000A	4,125

NOTE 17 - INVESTMENT IN JOINT VENTURE:

Effective May 1, 1996, pursuant to a Municipal Joint Sewage Treatment Agency Intergovernmental Agreement, the City of Kankakee and the villages of Aroma Park, Bourbonnais, and Bradley agreed to the establishment of an independent agency with authority to operate the Regional Wastewater Treatment Facility (RWTF), raise revenue and exercise other powers as necessary. The independent agency created is the Kankakee River Metropolitan Agency (KRMA). The agreement requires a seven member board comprised of four persons appointed by the Mayor of the City of Kankakee and one person appointed by the Mayor of each village. A majority of five affirmative votes is required to modify this agreement, modify the methodology or the amount of user charges, approve bond issues or any appropriation in excess of \$50,000 or to change the membership of the Agency. On April 22, 1999, KRMA acquired ownership of the RWTF.

As of April 30, 2004, the City has recorded in the Kankakee Municipal Utility an investment in the joint venture of \$1,098,617.

Financial statements of the joint venture can be obtained from the City's accounting department. Pertinent financial information for the joint venture as of April 30, 2004 is as follows:

Balance sheet:

Current assets	\$ 856,224
Restricted assets	1,487,248
Capital assets, net	15,424,730
Other assets	<u>497,471</u>
Total assets	<u>\$18,265,673</u>
Current liabilities	\$ 1,063,838
Long-term liabilities	15,283,389

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE 17 - INVESTMENT IN JOINT VENTURE:

Participants' equity	\$ <u>1,918,446</u>
Total liabilities and participants' equity	\$ <u>18,265,673</u>
Income statement:	
Revenues	\$ 3,875,568
Expenditures	(2,982,104)
Other income (expense)	<u>(744,960)</u>
Net income	148,504
Ownership percentage	<u>59.46%</u>
Utility's share of net income (equity interest in joint venture income)	\$ <u>88,295</u>

NOTE 18 - RISK MANAGEMENT AND LITIGATION:

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City utilizes conventional outside insurance to cover its exposure to such liabilities and worker's compensation claims with standard retention levels. In addition, a safety committee works at prevention activities to keep risk exposure at a minimum level through employee education and monitoring of risk control activities. All risk management activities are accounted for in the General Fund. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered. For insured programs there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

The City Attorney estimates that the amount of actual or potential claims against the City as of April 30, 2004 will not materially affect the financial condition of the City or any of the individual funds. Therefore, the General Fund contains no provision for estimated claims.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE 19 - BUDGETARY/GAAP REPORTING RECONCILIATION:

Financial statements in this report are based on the legally enacted basis and the generally accepted accounting principles (GAAP) basis. The financial statements prepared on the legally enacted basis differ from the GAAP-basis statements for the Special Revenue Fund Types because project-length budgets (not legally enacted) are utilized for the Community Development Agency, the Senior Aides Program, the Motor Fuel Tax Fund, Special Service Area No. 3 and the various Tax Increment Financing District Funds. The following schedule reconciles the difference between the legally enacted basis and the GAAP basis for the Special Revenue Fund Types.

	<u>Actual on GAAP basis</u>	<u>Adjustment to budgetary basis</u>	<u>Actual on budgetary basis</u>
Revenues:			
Taxes	\$ 3,257,103	\$(2,714,077)	\$543,026
Intergovernmental	3,099,443	(3,099,443)	
Interest	28,192	(27,851)	341
Miscellaneous	<u>64,658</u>	<u>(64,658)</u>	<u> </u>
Total revenues	<u>6,449,396</u>	<u>(5,906,029)</u>	<u>543,367</u>
Expenditures:			
General government	746,271	(609,362)	136,909
Public safety	65,195		65,195
Public works	188,048		188,048
Highways and streets	1,010,531	(1,010,531)	
Community development	1,933,452	(1,933,452)	
Culture and recreation	61,092		61,092
Economic development	4,048,601	(4,048,601)	
Debt service:			
Principal retirement	2,278,723	(2,278,723)	
Interest	<u>32,965</u>	<u>(32,965)</u>	<u> </u>
Total expenditures	<u>10,364,878</u>	<u>(9,913,634)</u>	<u>451,244</u>
Excess (deficiency) of revenues over expenditures	(3,915,482)	4,007,605	92,123
Fund balance (deficit), May 1, 2003	<u>1,993,462</u>	<u>(1,643,904)</u>	<u>358,558</u>
Fund balance (deficit), April 30, 2004	<u>\$ (1,922,020)</u>	<u>\$ 2,363,701</u>	<u>\$450,681</u>

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE 20 - ADVANCE REFUNDING:

On April 6, 2004, the City issued \$9,600,000 of general obligation bonds Series 2004, with an average interest rate of 3.35 percent to provide resources to purchase U.S. Government securities that were placed in an irrevocable trust for the purpose of advance refunding \$1,590,000 and \$5,915,000 of general obligation bonds, Series 1995 and Series 1997, respectively, with an average interest rate of 5.22 percent. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net assets. The reacquisition price exceeded the net carrying amount of the old debt by \$535,828. This amount is being netted against the new debt and amortized over the life of the refunded debt, which is shorter than the life of the new debt issued. This advance refunding increased total debt service payments over the next 20 years by \$1,255,102 and resulted in an economic gain of \$287,368.

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Required Supplemental Information

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
For the year ended April 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Taxes	\$12,302,291	\$12,302,291	\$ 12,990,464	\$ 688,173
Licenses and permits	1,767,900	1,767,900	1,612,984	(154,916)
Intergovernmental	295,647	295,647	358,274	62,627
Charges for services	764,462	764,462	526,945	(237,517)
Fines and fees	680,800	680,800	693,275	12,475
Interest	5,000	5,000	39,327	34,327
Miscellaneous	203,500	203,500	193,521	(9,979)
Total revenues	<u>16,019,600</u>	<u>16,019,600</u>	<u>16,414,790</u>	<u>395,190</u>
Expenditures:				
Current:				
General government	3,844,304	3,844,304	3,950,110	105,806
Public safety	10,436,496	10,436,496	10,821,877	385,381
Public works	1,639,035	1,639,035	1,953,529	314,494
Housing			77,365	77,365
Economic development	25,000	25,000	22,087	(2,913)
Debt Service:				
Principal retirement			12,524	12,524
Interest and fiscal charges			111	111
Total expenditures	<u>15,944,835</u>	<u>15,944,835</u>	<u>16,837,603</u>	<u>892,768</u>
Excess (deficiency) of revenue over expenditures	<u>74,765</u>	<u>74,765</u>	<u>(422,813)</u>	<u>(497,578)</u>
Other financing sources (uses):				
Transfers:				
From other funds			907,590	907,590
To other funds	(12,130)	(12,130)	(241,724)	(229,594)
Proceeds from long-term notes			148,450	148,450
Total other financing sources (uses)	<u>(12,130)</u>	<u>(12,130)</u>	<u>814,316</u>	<u>826,446</u>
Net change in fund balance	<u>\$ 62,635</u>	<u>\$ 62,635</u>	391,503	<u>\$ 328,868</u>
Fund balance, May 1, 2003			2,201,726	
Net increase in reserves			32,129	
Fund balance, April 30, 2004			<u>\$ 2,593,229</u>	

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF REVENUES AND COMPARISON TO BUDGET
GENERAL FUND
For the year ended April 30, 2004
(With comparative totals for 2003)

	Bugeted Amount		2004	2003
	Original	Final	Actual	Actual
Revenues:				
Taxes:				
Property taxes	\$ 2,986,222	\$ 2,986,222	\$ 3,064,890	\$ 2,431,513
State income tax	1,810,000	1,810,000	1,658,379	1,796,178
Local use tax	250,000	250,000	267,386	241,781
State replacement income tax	350,000	350,000	458,437	407,750
Illinois retailers' tax	11,332,667	11,332,667	14,998,867	8,881,076
Less: sales tax incentives	(7,576,598)	(7,576,598)	(10,701,236)	(5,237,343)
Utility taxes	3,150,000	3,150,000	3,243,741	3,026,802
Total taxes	<u>12,302,291</u>	<u>12,302,291</u>	<u>12,990,464</u>	<u>11,547,757</u>
Licenses, permits and fees:				
Business licenses	84,000	84,000	104,080	101,032
Vehicle sticker fees	400,000	400,000	389,957	426,590
Other licenses	60,000	60,000	39,014	55,682
Franchise fees	250,000	250,000	212,515	200,938
Ambulance fees	315,000	315,000	336,014	276,042
Community oriented policing fee	460,000	460,000	443,996	459,255
Other permits and fees	198,900	198,900	87,408	125,898
Total licenses, permits and fees	<u>1,767,900</u>	<u>1,767,900</u>	<u>1,612,984</u>	<u>1,645,437</u>
Intergovernmental:				
Grants from other governmental agencies	<u>295,647</u>	<u>295,647</u>	<u>358,274</u>	<u>425,811</u>
Charges for services:				
Kankakee Municipal Utility	203,172	203,172	50,040	166,040
KRMA	50,000	50,000	50,000	50,000
Department of public works	330,000	330,000	269,522	569,878
Community Development Agency	77,000	77,000	77,000	77,000
Fire department	84,290	84,290	66,203	60,033
Police department	20,000	20,000	14,180	15,138
Total charges for services	<u>764,462</u>	<u>764,462</u>	<u>526,945</u>	<u>938,089</u>
Fines:				
Traffic fines	<u>680,800</u>	<u>680,800</u>	<u>693,275</u>	<u>729,404</u>
Interest	<u>5,000</u>	<u>5,000</u>	<u>39,327</u>	<u>8,567</u>
Miscellaneous revenues:				
Foreign fire insurance tax	35,000	35,000	38,164	35,311
Transportation support			15,000	21,867
Other revenues	168,500	168,500	140,357	255,188
Total miscellaneous revenues	<u>203,500</u>	<u>203,500</u>	<u>193,521</u>	<u>312,366</u>
Total revenues	<u>\$16,019,600</u>	<u>\$16,019,600</u>	<u>\$16,414,790</u>	<u>\$15,607,431</u>

CITY OF KANAKEE, ILLINOIS
SCHEDULE OF EXPENDITURES AND COMPARISON TO BUDGET
GENERAL FUND
For the year ended April 30, 2004
(With comparative totals for 2003)

	Budgeted Amount		2004	2003
	Original	Final	Actual	Actual
General city government:				
Council	\$ 117,000	\$ 117,000	\$ 118,070	\$ 118,169
Mayor	59,865	59,865	93,477	94,794
Commissions and boards	20,850	20,850	21,848	16,830
City clerk	100,810	100,810	83,414	91,430
Adjudication	123,482	123,482	116,683	116,765
Central services	390,800	390,800	267,918	269,373
Collection	111,800	111,800	112,369	115,377
Computer operations	25,750	25,750	67,558	136,380
Corporate counsel	141,850	141,850	136,658	154,474
City planning			60,484	55,199
Public buildings and grounds	134,975	134,975	142,195	114,291
Community promotion	77,500	77,500	69,026	107,989
Human relations	68,111	68,111	72,220	67,166
Group insurance	1,160,000	1,160,000	1,061,232	1,174,465
Liability insurance	897,304	897,304	1,327,415	1,090,815
Unemployment tax	23,100	23,100	64,346	45,122
Transportation support	64,000	64,000	63,139	70,848
Other	327,107	327,107	72,058	55,308
Total general city government	<u>3,844,304</u>	<u>3,844,304</u>	<u>3,950,110</u>	<u>3,894,795</u>
Public safety-police department:				
Administration and operations	3,937,223	3,937,223	4,057,194	4,114,224
Community oriented policing unit	417,790	417,790	737,000	603,366
Training	25,000	25,000	12,691	18,994
Records	172,635	172,635	121,303	131,363
Communications	665,840	665,840	584,562	841,553
Detention and custody	18,700	18,700	28,356	23,786
Pension contribution	701,806	701,806	856,688	701,806
Total public safety-police department	<u>5,938,994</u>	<u>5,938,994</u>	<u>6,397,794</u>	<u>6,435,092</u>
Public safety-fire department:				
Administration	437,775	437,775	426,644	556,359
Training	86,100	86,100	86,454	90,511
Alarm and communications system	21,040	21,040	16,550	9,693
Fire prevention	85,200	85,200	90,401	81,802
Fire fighting force	1,545,860	1,545,860	1,433,970	1,489,243
Emergency service	773,600	773,600	774,964	760,534
Foreign fire insurance tax	35,000	35,000	38,164	35,311
Pension contribution	874,715	874,715	984,710	875,966
Total public safety-fire department	<u>3,859,290</u>	<u>3,859,290</u>	<u>3,851,857</u>	<u>3,899,419</u>
Public safety:				
Code enforcement	<u>612,712</u>	<u>612,712</u>	<u>553,401</u>	<u>448,129</u>

(Continued)

CITY OF KANAKEE, ILLINOIS
SCHEDULE OF EXPENDITURES AND COMPARISON TO BUDGET
GENERAL FUND

(Continued)

For the year ended April 30, 2004
(With comparative totals for 2003)

	Budgeted Amount		2004 Actual	2003 Actual
	Original	Final		
Public safety:				
Animal control	\$ 25,500	\$ 25,500	\$ 18,825	\$ 27,122
Department of public works:				
Administration and operations	138,157	138,157	183,484	133,881
Streets and alleys	216,000	216,000	388,061	268,605
Tree removal			5,767	5,226
City garage	226,848	226,848	527,807	358,877
Operations	1,058,030	1,058,030	848,410	906,558
Total department of public works	<u>1,639,035</u>	<u>1,639,035</u>	<u>1,953,529</u>	<u>1,673,147</u>
Housing:				
Residential rehabilitation			77,365	106,953
Economic development:				
Incentives	<u>25,000</u>	<u>25,000</u>	<u>22,087</u>	<u>196,395</u>
Debt service:				
Principal retirement			12,524	91,343
Interest and other fixed charges			111	19,657
Total debt service	<u>-0-</u>	<u>-0-</u>	<u>12,635</u>	<u>111,000</u>
Total expenditures	<u>\$15,944,835</u>	<u>\$15,944,835</u>	<u>\$16,837,603</u>	<u>\$16,792,052</u>

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
BAND FUND
For the year ended April 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property taxes	\$ 13,000	\$ 13,000	\$ 14,208	\$ 1,208
Interest income			8	8
Total revenues	<u>13,000</u>	<u>13,000</u>	<u>14,216</u>	<u>1,216</u>
Expenditures:				
Current:				
Culture and recreation	<u>13,000</u>	<u>13,000</u>	<u>13,000</u>	<u>-0-</u>
Net change in fund balance	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>1,216</u>	<u>\$ 1,216</u>
Fund balance, May 1, 2003			5,216	
Fund balance, April 30, 2004			<u>\$ 6,432</u>	

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
PARK FUND
For the year ended April 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property taxes	\$35,000	\$35,000	\$ 36,541	\$ 1,541
Interest income			23	23
Total revenues	<u>35,000</u>	<u>35,000</u>	<u>36,564</u>	<u>1,564</u>
Expenditures:				
Current:				
Culture and recreation	<u>35,000</u>	<u>35,000</u>	<u>41,462</u>	<u>6,462</u>
Net change in fund balance	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>(4,898)</u>	<u>\$ (4,898)</u>
Fund balance, May 1, 2003			25,903	
Fund balance, April 30, 2004			<u>\$ 21,005</u>	

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
IMRF FUND
For the year ended April 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property taxes	\$ 495,000	\$ 495,000	\$ 489,248	\$ (5,752)
Interest income			308	308
Total revenues	<u>495,000</u>	<u>495,000</u>	<u>489,556</u>	<u>(5,444)</u>
Expenditures:				
Current:				
General government	169,042	169,042	134,771	(34,271)
Public safety	81,774	81,774	65,195	(16,579)
Public works	235,868	235,868	188,048	(47,820)
Culture and recreation	8,316	8,316	6,630	(1,686)
Total expenditures	<u>495,000</u>	<u>495,000</u>	<u>394,644</u>	<u>(100,356)</u>
Net change in fund balance	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>94,912</u>	<u>94,912</u>
Fund balance, May 1, 2003			304,651	
Fund balance, April 30, 2004			<u>\$ 399,563</u>	

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
SPECIAL SERVICE AREA NO. 2
For the year ended April 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property taxes	\$ 3,000	\$ 3,000	\$ 3,029	\$ 29
Interest income			2	2
Total revenues	<u>3,000</u>	<u>3,000</u>	<u>3,031</u>	<u>31</u>
Expenditures:				
Current:				
General government	3,000	3,000	2,138	(862)
Total expenditures	<u>3,000</u>	<u>3,000</u>	<u>2,138</u>	<u>(862)</u>
Net change in fund balance	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>893</u>	<u>\$ 893</u>
Fund balance, May 1, 2003			5,600	
Fund balance, April 30, 2004			<u>\$ 6,493</u>	

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF FUNDING PROGRESS
ILLINOIS MUNICIPAL RETIREMENT FUND
April 30, 2004

Actuarial Valuation Date December 31,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) ---Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) / c)
2003	\$14,944,651	\$13,991,022	\$ (953,629)	106.82%	\$ 5,311,719	-17.95%
2002	14,741,685	12,766,158	(1,975,527)	115.47%	5,356,081	-36.88%
2001	15,930,360	12,132,670	(3,797,690)	131.30%	5,440,324	-69.81%
2000	15,265,055	11,279,991	(3,985,064)	135.33%	5,164,986	-77.16%
1999	13,723,118	10,299,124	(3,423,994)	133.25%	5,018,601	-68.23%
1998	11,659,097	9,554,996	(2,104,101)	122.02%	4,984,828	-42.21%
1997	10,176,901	9,279,645	(897,256)	109.67%	4,995,898	-17.96%
1996	8,587,137	8,161,676	(425,461)	105.21%	4,697,652	-9.06%
1995	7,412,129	7,533,032	120,903	98.40%	4,599,471	2.63%
1994	6,021,881	6,372,202	350,321	94.50%	4,296,094	8.15%

On a market basis, the actuarial value of assets as of December 31, 2003 is \$13,511,367. On a market basis, the funded ratio would be 96.57%.

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF FUNDING PROGRESS
POLICE PENSION FUND
April 30, 2004

Actuarial Valuation Date April 30,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) ---Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payrol ((b-a) / c)
2003	\$10,140,012	\$24,391,727	\$14,251,715	41.57%	\$ 3,372,609	422.57%
2002	10,452,757	23,056,893	12,604,136	45.33%	3,395,319	371.22%
2001	11,191,083	21,482,299	10,291,216	52.09%	3,195,355	322.07%
2000	12,558,886	19,982,474	7,423,588	62.85%	2,914,227	254.74%
1999	11,120,244	18,817,976	7,697,732	59.09%	2,874,407	267.80%
1998	N/A	N/A	N/A	N/A	N/A	N/A
1997	10,104,437	19,736,436	9,631,999	51.20%	2,936,582	328.00%
1996	9,777,882	19,010,214	9,232,332	51.43%	2,393,734	385.69%
1995	9,394,791	17,848,273	8,453,482	52.64%	2,230,531	378.99%
1994	8,878,040	15,963,398	7,085,358	55.61%	1,987,176	356.55%

N/A - Not available

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF FUNDING PROGRESS
FIREMEN'S PENSION FUND
April 30, 2004

Actuarial Valuation Date April 30,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) ---Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) / c)
2003	\$10,052,187	\$26,192,190	\$16,140,003	38.38%	\$ 2,352,187	686.17%
2002	10,819,597	25,431,162	14,611,565	42.54%	2,299,154	635.52%
2001	11,450,544	24,296,512	12,845,968	47.13%	2,213,379	580.38%
2000	12,211,206	23,353,668	11,142,462	52.29%	2,244,729	496.38%
1999	10,944,127	22,235,656	11,291,529	49.22%	2,283,580	494.47%
1998	N/A	N/A	N/A	N/A	N/A	N/A
1997	9,660,632	23,290,322	13,629,690	41.48%	2,484,264	548.64%
1996	9,474,334	21,648,145	12,173,811	43.77%	1,929,289	631.00%
1995	9,266,660	20,736,738	11,470,078	44.69%	1,854,523	618.49%
1994	9,112,320	19,199,862	10,087,542	47.46%	1,736,484	580.92%

N/A - Not available

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF EMPLOYER CONTRIBUTIONS
POLICE PENSION FUND
April 30, 2004

<u>Year Ended April 30,</u>	<u>Annual Required Contribution</u>	<u>Actual Contribution</u>	<u>Percentage Contributed</u>
2004	\$856,688	\$856,688	100.00%
2003	701,806	701,806	100.00%
2002	536,964	536,964	100.00%
2001	540,496	538,428	99.62%
2000	465,000	535,942	115.26%
1999	692,127	283,916	41.02%
1998	634,713	212,121	33.42%
1997	548,664	173,841	31.68%
1996	518,357	159,459	30.76%

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF EMPLOYER CONTRIBUTIONS
FIREMEN'S PENSION FUND
April 30, 2004

<u>Year Ended April 30,</u>	<u>Annual Required Contribution</u>	<u>Actual Contribution</u>	<u>Percentage Contributed</u>
2004	\$984,722	\$984,722	100.00%
2003	874,715	887,458	101.46%
2002	768,601	769,597	100.13%
2001	763,870	763,606	99.97%
2000	700,000	788,888	112.70%
1999	815,979	525,352	64.38%
1998	767,942	398,682	51.92%
1997	689,674	331,267	48.03%
1996	602,823	298,049	49.44%

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Combining and Individual Fund Financial Statements and Supplement Schedules

CITY OF KANKAKEE, ILLINOIS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
April 30, 2004

	Special Revenue	Debt Service	Total Nonmajor Governmental Funds
Assets			
Cash and investments	\$ 3,405,071	\$1,204,823	\$ 4,609,894
Restricted cash and investments		602,245	602,245
Receivables, less allowance for uncollectible amounts:			
Property taxes	2,752,477	2,599,383	5,351,860
Due from other governmental agencies	190,698		190,698
Due from other funds	374,331	81,602	455,933
Due from component units	3,857		3,857
Accounts receivable	51,607		51,607
Notes receivable	298,403		298,403
Total assets	<u><u>\$ 7,076,444</u></u>	<u><u>\$4,488,053</u></u>	<u><u>\$ 11,564,497</u></u>
Liabilities			
Accounts payable	\$ 192,515		\$ 192,515
Accrued wages payable	1,740		1,740
Interest payable		\$ 4,177	4,177
Due to other funds	928,599	76,760	1,005,359
Due to component units	158,331		158,331
Deferred revenue	3,973,294	2,599,383	6,572,677
Total liabilities	<u><u>5,254,479</u></u>	<u><u>2,680,320</u></u>	<u><u>7,934,799</u></u>
Fund Balance			
Reserved for debt service		1,828,760	1,828,760
Reserved for unexpended street maintenance programs	325,801		325,801
Unreserved, reported in Special Revenue Funds	1,496,164		1,496,164
Debt Service Funds		(21,027)	(21,027)
Total fund balance	<u><u>1,821,965</u></u>	<u><u>1,807,733</u></u>	<u><u>3,629,698</u></u>
Total liabilities and fund balance	<u><u>\$ 7,076,444</u></u>	<u><u>\$4,488,053</u></u>	<u><u>\$ 11,564,497</u></u>

CITY OF KANKAKEE, ILLINOIS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the year ended April 30, 2004

	Special Revenue	Debt Service	Total Nonmajor Governmental Funds
Revenues:			
Property taxes	\$3,257,103	\$2,279,175	\$5,536,278
Intergovernmental	3,099,443		3,099,443
Interest income	25,433	12,622	38,055
Miscellaneous	64,658		64,658
Total revenues	<u>6,446,637</u>	<u>2,291,797</u>	<u>8,738,434</u>
Expenditures:			
Current:			
General government	731,884		731,884
Public safety	65,195		65,195
Public works	188,048		188,048
Highways and streets	1,010,531		1,010,531
Community development	1,933,452		1,933,452
Culture and recreation	61,092		61,092
Economic development	1,363,543		1,363,543
Debt Service:			
Principal retirement	1,678,723	1,885,000	3,563,723
Interest and fiscal charges	32,965	1,865,616	1,898,581
Total expenditures	<u>7,065,433</u>	<u>3,750,616</u>	<u>10,816,049</u>
Excess (deficiency) of revenues over expenditures	<u>(618,796)</u>	<u>(1,458,819)</u>	<u>(2,077,615)</u>
Other financing sources (uses):			
Transfers:			
From other funds	87,556	2,709,265	2,796,821
To other funds	(1,541,639)	(123,427)	(1,665,066)
From component units		90,870	90,870
To component units	(3,450,536)		(3,450,536)
Proceeds from bond issuance	4,860,000		4,860,000
Proceeds from premium on bond issuance	315,143	76,279	391,422
Bond issuance cost	(102,781)	(180,089)	(282,870)
Proceeds from debt refunding		8,049,638	8,049,638
Payment to refunded debt escrow agent		(7,945,828)	(7,945,828)
Proceeds from capital lease	17,396		17,396
Proceeds from long-term notes	262,160		262,160
Total other financing sources (uses)	<u>447,299</u>	<u>2,676,708</u>	<u>3,124,007</u>
Net change in fund balance	(171,497)	1,217,889	1,046,392
Fund balance, May 1, 2003	1,993,462	589,844	2,583,306
Fund balance, April 30, 2004	<u>\$1,821,965</u>	<u>\$1,807,733</u>	<u>\$3,629,698</u>

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CITY OF KANKAKEE, ILLINOIS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
April 30, 2004

	Civil Defense Fund	Band Fund	Park Fund	Illinois Municipal Retirement Fund
Assets				
Cash and investments	\$ 17,189	\$ 6,432	\$ 22,745	\$ 415,330
Receivables, less allowance for uncollectible amounts:				
Property taxes		13,000	35,000	495,000
Due from other governmental agencies				3,002
Due from other funds				3,857
Due from component units				
Accounts receivable				
Notes receivable				
Total assets	<u>\$ 17,189</u>	<u>\$ 19,432</u>	<u>\$ 57,745</u>	<u>\$ 917,189</u>
Liabilities				
Accounts payable				\$ 22,626
Accrued wages payable			\$ 1,740	
Due to other funds				
Due to component units				
Deferred revenue		\$ 13,000	35,000	495,000
Total liabilities	<u>\$ -0-</u>	<u>13,000</u>	<u>36,740</u>	<u>517,626</u>
Fund Balance				
Reserved for unexpended street maintenance programs				
Unreserved - undesignated	17,189	6,432	21,005	399,563
Total fund balance	<u>17,189</u>	<u>6,432</u>	<u>21,005</u>	<u>399,563</u>
Total liabilities and fund balance	<u>\$ 17,189</u>	<u>\$ 19,432</u>	<u>\$ 57,745</u>	<u>\$ 917,189</u>

<u>Motor Fuel Tax Fund</u>	<u>Special Service Area No. 2</u>	<u>Special Service Area No. 3</u>	<u>Community Development Agency</u>	<u>Senior Aides Program Fund</u>	<u>Tax Increment Financing District No. 1 Fund</u>	<u>Tax Increment Financing District No. 2 Fund</u>	<u>Tax Increment Financing District No. 3 Fund</u>
\$1,284,442	\$ 6,493		\$ 636,285	\$ 1,817		\$ 636,499	\$ 115,939
58,928	3,000	\$ 52,700	114,555	17,215	\$ 613,577	367,000	305,000
		26,734				244,329	
			51,607				
<u>\$1,343,370</u>	<u>\$ 9,493</u>	<u>\$ 79,434</u>	<u>\$ 802,447</u>	<u>\$ 19,032</u>	<u>\$ 613,577</u>	<u>\$1,247,828</u>	<u>\$ 420,939</u>
\$ 18,558			\$ 18,452			\$ 252	
98,125			49,979	\$ 17,096	\$ 455,246	154,668	\$ 105,247
455,734	\$ 3,000	\$ 52,700	162,356		158,331	1,092,908	315,692
<u>572,417</u>	<u>3,000</u>	<u>52,700</u>	<u>230,787</u>	<u>17,096</u>	<u>613,577</u>	<u>1,247,828</u>	<u>420,939</u>
325,801							
445,152	6,493	26,734	571,660	1,936			
<u>770,953</u>	<u>6,493</u>	<u>26,734</u>	<u>571,660</u>	<u>1,936</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>\$1,343,370</u>	<u>\$ 9,493</u>	<u>\$ 79,434</u>	<u>\$ 802,447</u>	<u>\$ 19,032</u>	<u>\$ 613,577</u>	<u>\$1,247,828</u>	<u>\$ 420,939</u>

(Continued)

CITY OF KANKAKEE, ILLINOIS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
(Continued)
April 30, 2004

	Tax Increment Financing District No. 4 Fund	Tax Increment Financing District No. 5 Fund	Tax Increment Financing District No. 6 Fund	Tax Increment Financing District No. 7 Fund	Total
Assets					
Cash and investments	\$ 203,836	\$ 16,545	\$ 21,025	\$ 20,494	\$3,405,07
Receivables, less allowance for uncollectible amounts:					
Property taxes	505,100	138,200	173,900	51,000	2,752,47
Due from other governmental agencies					190,69
Due from other funds			100,266		374,33
Due from component units					3,85
Accounts receivable					51,60
Notes receivable	298,403				298,40
Total assets	<u><u>\$1,007,339</u></u>	<u><u>\$ 154,745</u></u>	<u><u>\$ 295,191</u></u>	<u><u>\$ 71,494</u></u>	<u><u>\$7,076,44</u></u>
Liabilities					
Accounts payable	\$ 132,627				\$ 192,51
Accrued wages payable					1,74
Due to other funds	35,647	\$ 12,047	\$ 497	\$ 47	928,59
Due to component units					158,33
Deferred revenue	839,065	142,698	294,694	71,447	3,973,29
Total liabilities	<u><u>1,007,339</u></u>	<u><u>154,745</u></u>	<u><u>295,191</u></u>	<u><u>71,494</u></u>	<u><u>5,254,47</u></u>
Fund Balance					
Reserved for unexpended street maintenance programs					325,80
Unreserved - undesignated					1,496,16
Total fund balance	<u><u>-0-</u></u>	<u><u>0</u></u>	<u><u>-0-</u></u>	<u><u>-0-</u></u>	<u><u>1,821,96</u></u>
Total liabilities and fund balance	<u><u>\$1,007,339</u></u>	<u><u>\$ 154,745</u></u>	<u><u>\$ 295,191</u></u>	<u><u>\$ 71,494</u></u>	<u><u>\$7,076,444</u></u>

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CITY OF KANKAKEE, ILLINOIS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
For the year ended April 30, 2004

	Civil Defense Fund	Band Fund	Park Fund	Illinois Municipal Retirement Fund
Revenues:				
Property taxes		\$ 14,208	\$ 36,541	\$ 489,248
Intergovernmental				
Interest income		8	23	308
Miscellaneous				
Total revenues	<u>\$ -0-</u>	<u>14,216</u>	<u>36,564</u>	<u>489,556</u>
Expenditures:				
Current:				
General government				134,771
Public safety				65,195
Public works				188,048
Highways and streets				
Community development				
Culture and recreation		13,000	41,462	6,630
Economic development				
Debt Service:				
Principal retirement				
Interest and fiscal charges				
Total expenditures	<u>-0-</u>	<u>13,000</u>	<u>41,462</u>	<u>394,644</u>
Excess (deficiency) of revenues over expenditures	<u>-0-</u>	<u>1,216</u>	<u>(4,898)</u>	<u>94,912</u>
Other financing sources (uses):				
Transfers:				
From other funds				
To other funds				
To component units				
Proceeds from bond issuance				
Proceeds from premium on bond issuance				
Bond insurance cost				
Proceeds from capital lease				
Proceeds from long-term notes				
Total other financing sources (uses)	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other uses		1,216	(4,898)	94,912
Fund balance, May 1, 2003	17,189	5,216	25,903	304,651
Fund balance, April 30, 2004	<u>\$ 17,189</u>	<u>\$ 6,432</u>	<u>\$ 21,005</u>	<u>\$ 399,563</u>

Motor Fuel Tax Fund	Special Service Area No. 2	Special Service Area No. 3	Community Development Agency	Senior Aides Program Fund	Tax Increment Financing District No. 1 Fund	Tax Increment Financing District No. 2 Fund	Tax Increment Financing District No. 3 Fund
\$ 866,245	\$ 3,029		\$2,044,476	\$ 188,722	\$ 734,817	\$ 875,099	\$ 316,295
9,297	2		4,392	26	917	5,465	1,447
			64,658				
<u>875,542</u>	<u>3,031</u>	<u>\$ -0-</u>	<u>2,113,526</u>	<u>188,748</u>	<u>735,734</u>	<u>880,564</u>	<u>317,742</u>
	2,138	235,426	146,811	192,209	8,347	4,097	2,147
1,010,531			1,933,452				
					145,591	648,454	210,595
			178,723		1,500,000		
			23,840		9,125		
<u>1,010,531</u>	<u>2,138</u>	<u>235,426</u>	<u>2,282,826</u>	<u>192,209</u>	<u>1,663,063</u>	<u>652,551</u>	<u>212,742</u>
<u>(134,989)</u>	<u>893</u>	<u>(235,426)</u>	<u>(169,300)</u>	<u>(3,461)</u>	<u>(927,329)</u>	<u>228,013</u>	<u>105,000</u>
					63,181		
					(757,678)	(228,013)	(105,000)
					(3,450,536)		
					4,860,000		
					315,143		
					(102,781)		
			17,396				
		262,160					
<u>-0-</u>	<u>-0-</u>	<u>262,160</u>	<u>17,396</u>	<u>-0-</u>	<u>927,329</u>	<u>(228,013)</u>	<u>(105,000)</u>
(134,989)	893	26,734	(151,904)	(3,461)			
905,942	5,600		723,564	5,397			
<u>\$ 770,953</u>	<u>\$ 6,493</u>	<u>\$ 26,734</u>	<u>\$ 571,660</u>	<u>\$ 1,936</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

(Continued)

CITY OF KANKAKEE, ILLINOIS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
(Continued)

For the year ended April 30, 2004

	Tax Increment Financing District No. 4 Fund	Tax Increment Financing District No. 5 Fund	Tax Increment Financing District No. 6 Fund	Tax Increment Financing District No. 7 Fund	Tot
Revenues:					
Property taxes	\$ 411,176	\$ 129,706	\$ 215,079	\$ 31,905	\$3,257
Intergovernmental					3,099
Interest income	1,439	274	788	1,047	25
Miscellaneous					64
Total revenues	<u>412,615</u>	<u>129,980</u>	<u>215,867</u>	<u>32,952</u>	<u>6,446</u>
Expenditures:					
Current:					
General government	3,897	272	722	1,047	731
Public safety					65
Public works					188
Highways and streets					1,010
Community development					1,933
Culture and recreation					61
Economic development	334,528		24,375		1,363
Debt Service:					
Principal retirement					1,678
Interest and fiscal charges					32
Total expenditures	<u>338,425</u>	<u>272</u>	<u>25,097</u>	<u>1,047</u>	<u>7,065</u>
Excess (deficiency) of revenues over expenditures	<u>74,190</u>	<u>129,708</u>	<u>190,770</u>	<u>31,905</u>	<u>(618)</u>
Other financing sources (uses):					
Transfers:					
From other funds			24,375		87
To other funds	(74,190)	(129,708)	(215,145)	(31,905)	(1,541)
To component units					(3,450)
Proceeds from bond issuance					4,860
Proceeds from premium on bond issuance					315
Bond insurance cost					(102)
Proceeds from capital lease					17
Proceeds from long-term notes					262
Total other financing sources (uses)	<u>(74,190)</u>	<u>(129,708)</u>	<u>(190,770)</u>	<u>(31,905)</u>	<u>447</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other uses					(171)
Fund balance, May 1, 2003					1,993
Fund balance, April 30, 2004	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$1,821</u>

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CITY OF KANKAKEE, ILLINOIS
COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
April 30, 2004

	General Obligation Bonds, Series 1995	General Obligation Bonds, Series 1997	General Obligation Bonds, Series 1998	General Obligation Bonds, Series 1998A
Assets				
Cash and investments			\$ 141,962	\$ 151,634
Restricted cash and investments				
Receivables, less allowance for uncollectible amounts:				
Property taxes	\$ 212,563	\$ 460,615	67,445	612,270
Due from other funds			21,027	
Total assets	<u><u>\$ 212,563</u></u>	<u><u>\$ 460,615</u></u>	<u><u>\$ 230,434</u></u>	<u><u>\$ 763,904</u></u>
Liabilities				
Interest payable				
Due to other funds	\$ 1,668	\$ 15,234		\$ 55,733
Deferred revenue	212,563	460,615	\$ 67,445	612,270
Total liabilities	<u><u>214,231</u></u>	<u><u>475,849</u></u>	<u><u>67,445</u></u>	<u><u>668,003</u></u>
Fund Balance				
Reserved for debt service			162,989	95,901
Unreserved - undesignated	(1,668)	(15,234)		
Total fund balance (deficit)	<u><u>(1,668)</u></u>	<u><u>(15,234)</u></u>	<u><u>162,989</u></u>	<u><u>95,901</u></u>
Total liabilities and fund balance	<u><u>\$ 212,563</u></u>	<u><u>\$ 460,615</u></u>	<u><u>\$ 230,434</u></u>	<u><u>\$ 763,904</u></u>

General Obligation Bonds, Series 1999	General Obligation Bonds, Series 2000A	General Obligation Bonds, Series 2000B	General Obligation Bonds, Series 2001A	General Obligation Bonds, Series 2001B	General Obligation Bonds, Series 2001C	General Obligation Bonds, Series 2003A
\$ 32,492			\$ 238,458			\$ 3
799,103	\$ 345,760		60,575			101,627
<u>\$ 831,595</u>	<u>\$ 345,760</u>	<u>\$ -0-</u>	<u>\$ 299,033</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 101,630</u>
\$ 799,103	\$ 4,125 345,760					\$ 101,627
<u>799,103</u>	<u>349,885</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>101,627</u>
32,492	(4,125)		299,033			3
<u>32,492</u>	<u>(4,125)</u>	<u>-0-</u>	<u>299,033</u>	<u>-0-</u>	<u>-0-</u>	<u>3</u>
<u>\$ 831,595</u>	<u>\$ 345,760</u>	<u>\$ -0-</u>	<u>\$ 299,033</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 101,630</u>

(Continued)

CITY OF KANKAKEE, ILLINOIS
COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
(Continued)
April 30, 2004

	General Obligation Bonds, Series 2003B	General Obligation Bonds, Series 2003-Exit 308	General Obligation Bonds, Series 2004	Total
Assets				
Cash and investments	\$ 202,590	\$ 433,507	\$ 4,177	\$1,204,823
Restricted cash and investments		602,245		602,245
Receivables, less allowance for uncollectible amounts:				
Property taxes				2,599,383
Due from other funds				81,602
Total assets	<u>\$ 202,590</u>	<u>\$1,035,752</u>	<u>\$ 4,177</u>	<u>\$4,488,053</u>
Liabilities				
Interest payable			\$ 4,177	\$ 4,177
Due to other funds				76,760
Deferred revenue				2,599,383
Total liabilities	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>4,177</u>	<u>2,680,320</u>
Fund Balance				
Reserved for debt service	202,590	1,035,752		1,828,760
Unreserved - undesignated				(21,027)
Total fund balance	<u>202,590</u>	<u>1,035,752</u>	<u>-0-</u>	<u>1,807,733</u>
Total liabilities and fund balance	<u>\$ 202,590</u>	<u>\$1,035,752</u>	<u>\$ 4,177</u>	<u>\$4,488,053</u>

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CITY OF KANKAKEE, ILLINOIS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR DEBT SERVICE FUNDS
For the year ended April 30, 2004

	General Obligation Bonds, Series 1995	General Obligation Bonds, Series 1997	General Obligation Bonds, Series 1998	General Obligation Bonds, Series 1998A
Revenues:				
Property taxes	\$ 191,478	\$ 413,665		\$ 583,618
Interest income	401	537	\$ 1,065	1,876
Total revenues	<u>191,879</u>	<u>414,202</u>	<u>1,065</u>	<u>585,494</u>
Expenditures:				
Principal retirement	195,000	65,000	60,000	300,000
Interest and fiscal charges	128,533	353,735	155,145	290,770
Total expenditures	<u>323,533</u>	<u>418,735</u>	<u>215,145</u>	<u>590,770</u>
Excess (deficiency) of revenues over expenditures	<u>(131,654)</u>	<u>(4,533)</u>	<u>(214,080)</u>	<u>(5,276)</u>
Other financing sources (uses):				
Transfers:				
From other funds	129,708		215,145	123,427
To other funds			(123,427)	
From component units				
Proceeds from premium on bond issuance				
Bond issuance cost				
Proceeds from debt refunding				
Payment to refunded debt escrow agent				
Total other financing sources (uses)	<u>129,708</u>	<u>-0-</u>	<u>91,718</u>	<u>123,427</u>
Net change in fund balance	(1,946)	(4,533)	(122,362)	118,151
Fund balance (deficit), May 1, 2003	278	(10,701)	285,351	(22,250)
Fund balance (deficit), April 30, 2004	<u>\$ (1,668)</u>	<u>\$ (15,234)</u>	<u>\$ 162,989</u>	<u>\$ 95,901</u>

General Obligation Bonds, Series 1999	General Obligation Bonds, Series 2000A	General Obligation Bonds, Series 2000B	General Obligation Bonds, Series 2001A	General Obligation Bonds, Series 2001B	General Obligation Bonds, Series 2001C	General Obligation Bonds, Series 2003A
\$ 748,840 1,717	\$ 341,574 589		\$ 1,292			\$ 8
<u>750,557</u>	<u>342,163</u>	<u>\$ -0-</u>	<u>1,292</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>8</u>
485,000 273,018	175,000 202,665	405,000 38,393	80,000 131,920	60,000 14,190	60,000 14,190	96,304
<u>758,018</u>	<u>377,665</u>	<u>443,393</u>	<u>211,920</u>	<u>74,190</u>	<u>74,190</u>	<u>96,304</u>
<u>(7,461)</u>	<u>(35,502)</u>	<u>(443,393)</u>	<u>(210,628)</u>	<u>(74,190)</u>	<u>(74,190)</u>	<u>(96,296)</u>
	31,905	443,393	121,050	74,190	74,190	96,299
			90,870			
<u>-0-</u>	<u>31,905</u>	<u>443,393</u>	<u>211,920</u>	<u>74,190</u>	<u>74,190</u>	<u>96,299</u>
(7,461)	(3,597)	-0-	1,292	-0-	-0-	3
39,953	(528)		297,741			
<u>\$ 32,492</u>	<u>\$ (4,125)</u>	<u>\$ -0-</u>	<u>\$ 299,033</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 3</u>

(Continued)

CITY OF KANKAKEE, ILLINOIS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR DEBT SERVICE FUNDS
(Continued)

For the year ended April 30, 2004

	General Obligation Bonds, Series 2003B	General Obligation Bonds, Series 2003-Exit 308	General Obligation Bonds, Series 2004	Total
Revenues:				
Taxes				\$2,279,175
Interest income	\$ 1,361	\$ 3,776		12,622
Total revenues	<u>1,361</u>	<u>3,776</u>	<u>\$ -0-</u>	<u>2,291,797</u>
Expenditures:				
Principal retirement				1,885,000
Interest and fiscal charges	113,057	53,696		1,865,616
Total expenditures	<u>113,057</u>	<u>53,696</u>	<u>-0-</u>	<u>3,750,616</u>
Excess (deficiency) of revenues over expenditures	<u>(111,696)</u>	<u>(49,920)</u>	<u>-0-</u>	<u>(1,458,819)</u>
Other financing sources (uses):				
Transfers:				
From other funds	314,286	1,085,672		2,709,265
To other funds				(123,427)
From component units				90,870
Proceeds from premium on bond issuance			76,279	76,279
Bond issuance cost			(180,089)	(180,089)
Proceeds from debt refunding			8,049,638	8,049,638
Payment to refunded debt escrow agent			(7,945,828)	(7,945,828)
Total other financing sources (uses)	<u>314,286</u>	<u>1,085,672</u>	<u>-0-</u>	<u>2,676,708</u>
Net change in fund balance	202,590	1,035,752	-0-	1,217,889
Fund balance, May 1, 2003				589,844
Fund balance, April 30, 2004	<u>\$ 202,590</u>	<u>\$1,035,752</u>	<u>\$ -0-</u>	<u>\$1,807,733</u>

CITY OF KANKAKEE, ILLINOIS
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PENSION TRUST FUNDS
April 30, 2004

	Police Pension Fund	Firemen's Pension Fund	Totals
Assets:			
Cash and short-term investments	\$ 537,349	\$ 844,624	\$ 1,381,973
Receivables, less allowance for uncollectible amounts:			
Employee contributions	15,300	8,478	23,778
Interest	23,580	39,535	63,115
Investments, at fair value:			
Open-end mutual funds	1,008,725	1,130,869	2,139,594
Certificates of deposits		1,153,532	1,153,532
Corporate securities	3,626,016	1,045,725	4,671,741
U. S. treasury and agency securities	4,790,687	3,764,602	8,555,289
Insurance company contract		1,502,395	1,502,395
Total assets	10,001,657	9,489,760	19,491,417
Liabilities:			
Accounts payable	115,950	143,570	259,520
Due to General Fund	900	1,138	2,038
Total liabilities	116,850	144,708	261,558
Net assets held in trust for pension benefits	\$ 9,884,807	\$ 9,345,052	\$19,229,859

CITY OF KANKAKEE, ILLINOIS
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PENSION TRUST FUNDS
For the year ended April 30, 2004

	Police Pension Fund	Firemen's Pension Fund	Totals
Additions:			
Contributions:			
Employer	\$856,688	\$983,569	\$ 1,840,257
Employee	387,218	200,910	588,128
Total contributions	<u>1,243,906</u>	<u>1,184,479</u>	<u>2,428,385</u>
Investment income:			
Net appreciation (depreciation) in fair value of investments	566,054	(56,934)	509,120
Interest and dividends	<u>231,545</u>	<u>1,009,120</u>	<u>1,240,665</u>
	797,599	952,186	1,749,785
Less: investment expense	<u>(53,801)</u>	<u>(24,331)</u>	<u>(78,132)</u>
Net investment income	<u>743,798</u>	<u>927,855</u>	<u>1,671,653</u>
Total additions	<u>1,987,704</u>	<u>2,112,334</u>	<u>4,100,038</u>
Deductions:			
Benefits	1,337,384	1,714,009	3,051,393
Refunds of contributions	16,907	72,020	88,927
Administrative expenses	<u>31,930</u>	<u>47,693</u>	<u>79,623</u>
Total deductions	<u>1,386,221</u>	<u>1,833,722</u>	<u>3,219,943</u>
Net increase	601,483	278,612	880,095
Net assets held in trust for pension benefits:			
May 1, 2003	<u>9,283,324</u>	<u>9,066,440</u>	<u>18,349,764</u>
April 30, 2004	<u>\$ 9,884,807</u>	<u>\$ 9,345,052</u>	<u>\$ 19,229,859</u>

CITY OF KANKAKEE, ILLINOIS
PROPERTY TAXES RECEIVABLE
2003 LEVY TO BE COLLECTED IN 2004
April 30, 2004

	<u>Taxes extended</u>	<u>Estimated losses</u>	<u>Estimated net taxes receivable</u>
Taxes receivable:			
General Fund	<u>\$3,351,110</u>		<u>\$3,351,110</u>
Special revenue funds:			
Park Fund	35,000		35,000
Band Fund	13,000		13,000
Illinois Municipal Retirement Fund	495,000		495,000
Library Fund	1,319,131		1,319,131
Special Service Area No. 1	117,600		117,600
Special Service Area No. 2	3,000		3,000
Special Service Area No. 3	52,700		52,700
Total special revenue funds	<u>2,035,431</u>	<u>-0-</u>	<u>2,035,431</u>
Debt service funds:			
General Obligation Bonds, Series 2003A	101,627		101,627
General Obligation Bonds, Series 2000A	345,760		345,760
General Obligation Bonds, Series 1999A	799,103		799,103
General Obligation Bonds, Series 1998A	612,270		612,270
General Obligation Bonds, Series 1998	67,445		67,445
General Obligation Bonds, Series 1997	460,615		460,615
General Obligation Bonds, Series 1995	212,563		212,563
Total debt service funds	<u>2,599,383</u>	<u>-0-</u>	<u>2,599,383</u>
Total all funds	<u>\$7,985,924</u>	<u>\$ -0-</u>	<u>\$7,985,924</u>

CITY OF KANKAKEE, ILLINOIS
PROPRIETARY FUND TYPES
KANKAKEE MUNICIPAL UTILITY
SCHEDULE OF REVENUE BONDS PAYABLE
April 30, 2004

Series 1999			Series 2001	
Date of issue	April 22, 1999		December 1, 2001	
Interest rates	4.1% to 6.0%		2.45% to 5.00%	
Principal redemption date	May 1		May 1	
Interest payment dates	May 1 and November 1		May 1 and November 1	
Original issue	\$ 7,140,000		\$ 4,270,000	
Paid to date	1,345,000		520,000	
Balance, April 30, 2004	<u>\$ 5,795,000</u>		<u>\$ 3,750,000</u>	
Date as follows:				
Year ending April 30,	Principal	Interest	Principal	Interest
2005	\$ 325,000	\$ 270,803	\$ 145,000	\$ 165,020
2006	340,000	257,477	150,000	160,453
2007	355,000	243,198	155,000	155,428
2008	370,000	227,932	160,000	150,003
2009	385,000	211,653	170,000	143,923
2010	405,000	194,327	175,000	137,208
2011	420,000	176,103	180,000	130,120
2012	440,000	156,782	190,000	122,650
2013	460,000	136,103	195,000	114,670
2014	485,000	114,022	205,000	106,188
2015	505,000	90,500	215,000	97,065
2016	530,000	65,250	225,000	87,498
2017	560,000	38,750	235,000	77,260
2018	215,000	10,750	245,000	66,215
2019			255,000	54,455
2020			270,000	42,088
2021			285,000	28,858
2022			295,000	14,750
	<u>\$ 5,795,000</u>	<u>\$ 2,193,650</u>	<u>\$ 3,750,000</u>	<u>\$ 1,853,852</u>

Totals

\$11,410,000
1,865,000

\$ 9,545,000

<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
\$ 470,000	\$ 435,823	\$ 905,823
490,000	417,930	907,930
510,000	398,626	908,626
530,000	377,935	907,935
555,000	355,576	910,576
580,000	331,535	911,535
600,000	306,223	906,223
630,000	279,432	909,432
655,000	250,773	905,773
690,000	220,210	910,210
720,000	187,565	907,565
755,000	152,748	907,748
795,000	116,010	911,010
460,000	76,965	536,965
255,000	54,455	309,455
270,000	42,088	312,088
285,000	28,858	313,858
295,000	14,750	309,750
<u>\$ 9,545,000</u>	<u>\$ 4,047,502</u>	<u>\$13,592,502</u>

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF GENERAL OBLIGATION BONDS PAYABLE
April 30, 2004

	Series 1995	Series 1997	Series 1998			
Date of issue	December 1, 1995	April 1, 1997	January 1, 1998			
Interest rates	4.0% to 5.5%	4.1% to 5.3%	4.5% to 5.375%			
Principal redemption date	January 1	January 1	January 1			
Interest payment dates	July 1 and January 1	July 1 and January 1	July 1 and January 1			
Original issue	\$3,865,000	\$7,200,000	\$3,265,000			
Paid to date	<u>3,030,000</u>	<u>6,345,000</u>	<u>165,000</u>			
Balance, April 30, 2004	<u>\$ 835,000</u>	<u>\$ 855,000</u>	<u>\$3,100,000</u>			
Due as follows:						
Year ending April 30,	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ 225,000	\$ 40,488	\$ 110,000	\$ 43,342	\$ 75,000	\$ 152,445
2006	200,000	29,800	215,000	38,062	95,000	149,070
2007	200,000	20,300	40,000	27,527	115,000	144,558
2008	210,000	10,500	40,000	25,568	135,000	138,376
2009			40,000	23,568	155,000	132,133
2010			45,000	21,528	175,000	124,770
2011			160,000	19,187	195,000	116,370
2012			155,000	10,788	220,000	107,010
2013			50,000	2,650	250,000	96,230
2014					270,000	83,980
2015					305,000	70,750
2016					335,000	55,500
2017					370,000	38,750
2018					405,000	20,250
2019						
2020						
2021						
2022						
2023						
2024						
2025						
	<u>\$ 835,000</u>	<u>\$ 101,088</u>	<u>\$ 855,000</u>	<u>\$ 212,220</u>	<u>\$3,100,000</u>	<u>\$1,430,192</u>

Series 1998A		Series 1999A		Series 2000A		Series 2000B	
December 15, 1998 4.2% to 5.0%		February 1, 1999 3.80% to 4.8%		August 15, 2000 4.5% to 5.6%		August 15, 2000 4.4% to 4.65%	
January 1		January 1		January 1		January 1	
July 1 and January 1 \$6,735,000 580,000		July 1 and January 1 \$6,785,000 975,000		July 1 and January 1 \$4,590,000 725,000		July 1 and January 1 \$1,790,000 1,365,000	
<u>\$6,155,000</u>		<u>\$5,810,000</u>		<u>\$3,865,000</u>		<u>\$ 425,000</u>	
Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
\$ 335,000	\$ 277,270	\$ 545,000	\$ 254,102	\$ 195,000	\$ 194,615	\$ 425,000	\$ 19,763
275,000	261,357	565,000	232,302	215,000	185,548		
125,000	247,607	590,000	209,420	235,000	175,443		
200,000	241,358	585,000	184,935	265,000	164,280		
500,000	231,357	610,000	160,365	290,000	151,560		
600,000	210,357	640,000	134,440	310,000	137,640		
	184,858	215,000	106,600	345,000	122,140		
	184,858	250,000	97,032	375,000	105,235		
1,085,000	184,858	610,000	85,658	405,000	86,485		
1,425,000	136,575	615,000	57,292	440,000	65,830		
1,610,000	72,450	585,000	28,080	430,000	42,950		
				25,000	20,160		
				25,000	18,760		
				30,000	17,360		
				30,000	15,680		
				35,000	14,000		
				35,000	12,040		
				40,000	10,080		
				45,000	7,840		
				45,000	5,320		
				50,000	2,800		
<u>\$6,155,000</u>	<u>\$2,232,905</u>	<u>\$5,810,000</u>	<u>\$1,550,226</u>	<u>\$3,865,000</u>	<u>\$1,555,766</u>	<u>\$ 425,000</u>	<u>\$ 19,763</u>

(Continued)

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF GENERAL OBLIGATION BONDS PAYABLE
(Continued)
April 30, 2004

	Series 2001A	Series 2001B	Series 2001C			
Date of issue	December 6, 2001	December 6, 2001	December 6, 2001			
Interest rates	2.10% to 4.5%	3.05% to 3.90%	3.05% to 3.90%			
Principal redemption date	January 1	January 1	January 1			
Interest payment dates	July 1 and January 1	July 1 and January 1	July 1 and January 1			
Original issue	\$3,595,000	\$450,000	\$450,000			
Paid to date	<u>300,000</u>	<u>120,000</u>	<u>120,000</u>			
Balance, April 30, 2004	<u>\$3,295,000</u>	<u>\$ 330,000</u>	<u>\$ 330,000</u>			
Due as follows:						
Year ending April 30,	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ 80,000	\$ 129,440	\$ 60,000	\$ 12,360	\$ 60,000	\$ 12,360
2006	355,000	126,960	65,000	10,530	65,000	10,530
2007	365,000	115,245	65,000	7,995	65,000	7,995
2008	285,000	102,653	70,000	5,460	70,000	5,460
2009	295,000	91,965	70,000	2,730	70,000	2,730
2010	305,000	80,460				
2011	320,000	68,260				
2012	330,000	55,140				
2013	345,000	41,445				
2014	360,000	26,955				
2015	255,000	11,475				
2016						
2017						
2018						
2019						
2020						
2021						
2022						
2023						
2024						
2025						
	<u>\$3,295,000</u>	<u>\$ 849,998</u>	<u>\$ 330,000</u>	<u>\$ 39,075</u>	<u>\$ 330,000</u>	<u>\$ 39,075</u>

Series 2003A		Series 2003B		Series 2003 - Exit 308		Series 2004	
June 12, 2003 2.25% to 5.25%		June 12, 2003 2.25% to 5.25%		October 2, 2003 3.80%		April 6, 2004 2.0% to 4.0%	
January 1		January 1		January 1		January 1	
July 1 and January 1 \$3,960,000		July 1 and January 1 \$4,860,000		July 1 and January 1 \$6,000,000		July 1 and January 1 \$9,600,000	
<u>\$3,960,000</u>		<u>\$4,860,000</u>		<u>\$6,000,000</u>		<u>\$9,600,000</u>	
Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
	\$ 174,219		\$ 204,525		\$ 228,000	\$ 160,000	\$ 225,572
\$ 35,000	174,219	\$ 250,000	204,525		228,000	205,000	297,563
120,000	173,431	260,000	198,900		228,000	590,000	293,462
200,000	170,431	270,000	192,400	\$ 140,000	228,000	590,000	280,188
255,000	164,931	280,000	184,975	215,000	222,680	495,000	265,437
85,000	157,281	295,000	176,575	230,000	214,510	455,000	253,062
425,000	154,519	310,000	166,989	245,000	205,770	1,470,000	240,550
510,000	140,175	325,000	156,525	260,000	196,460	1,520,000	196,450
1,090,000	122,325	340,000	145,150	280,000	186,580	290,000	147,810
1,240,000	65,100	360,000	132,825	300,000	175,940	120,000	138,385
		380,000	113,925	320,000	164,540	135,000	134,425
		405,000	93,975	340,000	152,380	1,350,000	129,835
		435,000	72,712	365,000	139,460	1,820,000	81,910
		460,000	49,875	385,000	125,590	130,000	15,480
		490,000	25,724	410,000	110,960	130,000	10,605
				435,000	95,380	140,000	5,600
				465,000	78,850		
				490,000	61,180		
				1,120,000	42,560		
<u>\$3,960,000</u>	<u>\$1,496,631</u>	<u>\$4,860,000</u>	<u>\$2,119,600</u>	<u>\$6,000,000</u>	<u>\$3,084,840</u>	<u>\$9,600,000</u>	<u>\$2,716,334</u>

(Continued)

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF GENERAL OBLIGATION BONDS PAYABLE
(Continued)
April 30, 2004

Totals

Original issue	\$63,145,000
Paid to date	<u>13,725,000</u>
Balance, April 30, 2004	<u><u>\$49,420,000</u></u>

Due as follows:

Year ending April 30,	Principal	Interest	Totals
2005	\$ 2,270,000	\$ 1,968,501	\$ 4,238,501
2006	2,540,000	1,948,466	4,488,466
2007	2,770,000	1,849,883	4,619,883
2008	3,060,000	1,749,609	4,809,609
2009	3,275,000	1,634,431	4,909,431
2010	3,140,000	1,510,623	4,650,623
2011	3,685,000	1,385,243	5,070,243
2012	3,945,000	1,249,673	5,194,673
2013	4,745,000	1,099,191	5,844,191
2014	5,130,000	882,882	6,012,882
2015	4,020,000	638,595	4,658,595
2016	2,455,000	451,850	2,906,850
2017	3,015,000	351,592	3,366,592
2018	1,410,000	228,555	1,638,555
2019	1,060,000	162,969	1,222,969
2020	610,000	114,980	724,980
2021	500,000	90,890	590,890
2022	530,000	71,260	601,260
2023	1,165,000	50,400	1,215,400
2024	45,000	5,320	50,320
2025	50,000	2,800	52,800
	<u><u>\$49,420,000</u></u>	<u><u>\$17,447,713</u></u>	<u><u>\$66,867,713</u></u>

Statistical Section

City of Kankakee, Illinois
General Fund Revenues by Source (Unaudited)
Fiscal Years 1995 - 2004

Fiscal Year Ending	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Taxes										
General Property Taxes	\$1,114,415	\$1,137,029	\$1,118,143	\$1,144,987	\$1,818,920	\$1,923,540	\$2,030,902	\$2,156,996	\$2,431,513	\$3,064,890
State Income Tax	1,591,878	1,811,175	1,952,156	2,141,771	2,270,744	2,407,769	2,593,149	2,253,786	2,037,959	1,925,765
State Replacement Tax	404,077	450,264	468,299	490,983	510,142	591,051	544,525	476,436	407,750	458,437
Illinois Retailers Tax	2,125,579	2,010,919	2,155,377	2,019,371	2,043,452	2,085,357	2,243,557	2,990,835	3,643,733	4,297,631
Utility Taxes	<u>2,255,623</u>	<u>2,585,909</u>	<u>2,680,190</u>	<u>2,544,643</u>	<u>2,772,268</u>	<u>2,927,220</u>	<u>3,290,381</u>	<u>3,002,756</u>	<u>3,026,801</u>	<u>3,243,741</u>
Total Taxes	<u>7,491,572</u>	<u>7,995,296</u>	<u>8,374,165</u>	<u>8,341,755</u>	<u>9,415,526</u>	<u>9,934,937</u>	<u>10,702,514</u>	<u>10,880,809</u>	<u>11,547,756</u>	<u>12,990,464</u>
Licenses, Permits and Fees										
Business Licenses	88,559	90,847	84,960	85,520	83,175	84,583	80,305	84,250	101,032	104,080
Vehicle Sticker Fees	396,191	404,356	385,907	408,679	399,507	351,822	377,625	373,560	426,590	389,957
Other Licenses	38,752	31,694	49,880	48,721	61,521	55,952	58,446	66,239	55,681	39,014
Franchise Fees	149,664	151,074	233,605	251,894	173,117	173,665	288,403	251,071	200,938	212,515
Ambulance Fees	200,327	223,771	234,941	229,827	210,339	157,309	237,031	344,042	276,042	336,014
Garbage Collection Fees	1,019,627	1,123,979	763,233	845,551	843,541	445,665	0	0	0	0
Community Oriented										
Policing Fee	447,819	476,489	451,642	465,683	464,342	458,723	431,362	457,166	459,255	443,996
Other Permits and Fees	<u>186,055</u>	<u>155,043</u>	<u>164,451</u>	<u>191,323</u>	<u>191,538</u>	<u>787,354</u>	<u>147,392</u>	<u>126,192</u>	<u>125,898</u>	<u>87,408</u>
Total Licenses, Permits and Fees	<u>2,526,994</u>	<u>2,657,253</u>	<u>2,368,619</u>	<u>2,527,198</u>	<u>2,427,080</u>	<u>2,515,073</u>	<u>1,620,564</u>	<u>1,702,527</u>	<u>1,645,436</u>	<u>1,612,984</u>
Intergovernmental										
Grants from other governmental agencies	<u>44,207</u>	<u>210,540</u>	<u>474,492</u>	<u>480,762</u>	<u>312,210</u>	<u>743,325</u>	<u>640,718</u>	<u>552,338</u>	<u>425,811</u>	<u>358,274</u>
Charges for Services										
Kankakee Wastewater Utility	457,224	470,460	477,168	476,864	515,880	440,518	213,040	174,373	166,040	50,040
Department of Public Works	102,933	65,777	92,948	145,103	172,862	130,670	461,303	447,603	569,877	269,522
RMA									50,000	50,000
Community Development	28,893	22,683	19,000	27,446	48,713	74,000	77,000	77,000	77,000	77,000
Fire Department	96,114	118,815	12,640	11,975	48,695	51,018	57,850	84,842	60,033	66,203
Police Department	<u>16,694</u>	<u>14,503</u>	<u>13,527</u>	<u>12,692</u>	<u>21,734</u>	<u>11,782</u>	<u>23,091</u>	<u>40,859</u>	<u>15,138</u>	<u>14,180</u>
Total Charges for Services	<u>701,858</u>	<u>692,238</u>	<u>615,283</u>	<u>674,080</u>	<u>807,884</u>	<u>707,988</u>	<u>832,284</u>	<u>824,677</u>	<u>938,088</u>	<u>526,945</u>
Fees										
Traffic Fines	<u>152,714</u>	<u>149,185</u>	<u>164,211</u>	<u>185,818</u>	<u>165,281</u>	<u>180,845</u>	<u>235,755</u>	<u>339,847</u>	<u>729,404</u>	<u>693,275</u>
Miscellaneous Revenues										
Interest	13,062	33,219	28,775	44,748	47,279	45,438	54,984	17,305	8,567	39,327
Other Revenues	<u>69,495</u>	<u>45,968</u>	<u>153,362</u>	<u>63,314</u>	<u>102,261</u>	<u>72,401</u>	<u>206,642</u>	<u>160,177</u>	<u>312,370</u>	<u>193,521</u>
Total Miscellaneous Revenue	<u>82,557</u>	<u>79,187</u>	<u>182,137</u>	<u>108,062</u>	<u>149,540</u>	<u>117,839</u>	<u>261,626</u>	<u>177,482</u>	<u>320,937</u>	<u>232,848</u>
Total General Fund Revenues by Source	<u>\$10,999,902</u>	<u>\$11,783,699</u>	<u>\$12,178,907</u>	<u>\$12,317,675</u>	<u>\$13,277,521</u>	<u>\$14,200,007</u>	<u>\$14,293,461</u>	<u>\$14,477,680</u>	<u>\$15,607,432</u>	<u>\$16,414,790</u>

City of Kankakee, Illinois
General Fund Expenditures by Function (Unaudited)
Fiscal Years 1995 - 2004

Fiscal Year Ending	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
General City Government										
Council	\$109,362	\$116,887	\$120,876	\$116,069	113,509	\$121,528	\$114,924	\$125,583	\$118,169	\$118,0
Mayor	54,370	55,267	74,739	57,671	64,278	102,427	86,598	95,145	94,794	93,4
Commissions & Boards	15,898	20,942	21,549	21,717	30,733	22,217	23,020	32,437	16,830	21,8
City Clerk	70,879	71,892	78,227	90,255	100,496	84,714	102,201	97,164	91,430	83,4
Adjudication Court						74,236	103,549	94,018	116,765	116,6
Treasurer	1,240									
Central Services	101,427	185,344	164,975	177,549	185,611	237,240	311,570	313,958	269,373	267,9
Collection	175,059	175,206	214,999	228,568	222,236	206,473	89,416	124,777	115,377	112,3
Computer Operations							24,298	99,219	136,380	67,5
Corporate Counsel	136,216	126,945	123,040	145,377	147,728	146,723	158,174	137,608	154,474	136,6
City Planning	56,617	68,124	72,097	72,244	51,015	50,025	49,857	53,593	55,199	60,4
Public Buildings & Grounds	92,580	134,492	111,164	119,292	134,175	139,659	148,886	197,603	114,291	142,1
Parking Lots	16,115	269	75							
Community Promotion	38,266	41,345	47,642	58,919	63,033	71,214	72,854	76,315	107,989	69,0
Human Relations	39,470	43,740	48,544	54,534	53,283	63,518	62,950	64,230	67,166	72,2
Group Insurance	420,959	609,568	695,931	658,271	660,434	687,792	820,992	926,087	1,174,465	1,061,2
Liability Insurance	449,972	457,691	396,195	665,033	697,061	876,381	956,524	1,003,481	1,090,815	1,327,4
Unemployment Tax							20,379	39,402	45,122	64,3
Transportation Support							70,096	72,355	70,848	63,1
Compensated Absences							30,183			
Other	23,338	94,315	80,614	116,590	95,726	37,750	130,119	6,256	55,308	72,0
Total General City Government	1,801,768	2,202,027	2,250,667	2,582,089	2,619,318	2,921,897	3,376,590	3,559,231	3,894,795	3,950,1
Public Safety										
Police Department	3,761,129	3,994,466	4,098,667	4,312,400	4,585,991	5,471,040	5,507,284	5,795,741	6,435,092	6,397,7
Fire Department	2,508,136	2,521,273	2,657,997	2,758,262	3,258,912	3,616,680	3,537,918	3,703,514	3,899,419	3,851,8
Code Enforcement	177,332	220,800	319,659	336,291	377,153	414,582	327,274	391,488	448,129	553,4
Animal Control	27,782	29,447	28,626	19,693	37,524	29,736	25,492	47,588	27,122	18,8
Total Public Safety	6,474,379	6,765,986	7,104,949	7,426,646	8,259,580	9,532,038	9,397,968	9,938,331	10,809,762	10,821,8
Department of Public Works	1,495,333	1,525,109	1,769,800	1,833,010	1,746,604	1,696,575	1,583,983	1,804,342	1,673,147	1,953,5
Other										
Public Health	770,472	801,112	834,319	883,968	892,019	611,286				
Residential Rehabilitation									106,953	77,3
Economic Development Incenti								35,439	196,395	22,0
Total Other	770,472	801,112	834,319	883,968	892,019	611,286	0	35,439	303,348	99,4
Debt Service										
Principal retirement	65,902	30,644	32,464	0	0	0	0	0	91,343	12,5
Interest and other fixed charges	9,450	5,678	2,199	0	0	0	0	0	19,657	11
Total Debt Service	75,352	36,322	34,663	0	0	0	0	0	111,000	12,6
Total Expenditures	\$10,617,304	\$11,330,556	\$11,994,398	\$12,725,713	\$13,517,521	\$14,761,796	\$14,358,541	\$15,337,343	\$16,792,052	\$16,837,6

City of Kankakee, Illinois
Property Tax Levies & Collections (Unaudited)
Levy Years 1994 - 2003

Levy Year	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
General Fund:										
General Corporate	\$420,234	\$420,838	\$421,628	\$422,714	\$423,242	\$423,379	\$0	\$0	\$20,556	\$20,843
Fire Protection	195,626	195,666	196,759	197,022	198,734	198,459	197,441	198,468	222,003	220,936
Police Protection	149,256	150,632	152,117	152,244	152,731	153,097	153,353	152,359	170,613	170,913
Firemen's Pension				447,776	515,237	576,476	580,823	769,815	875,677	985,874
Police Pension				248,964	287,061	321,314	437,055	537,266	703,008	858,731
School Crossing Guard	20,287	21,741	23,148	23,284	23,922	24,571	24,920	24,057	26,723	31,264
Liability Insurance	224,608	225,172	226,521	227,470	228,176	234,371	657,499	657,550	945,567	946,272
Audit	26,083	26,399	26,455	26,867	27,602	28,351	28,754	28,066	30,834	25,012
Road & Bridge	85,000	85,000	85,000	95,000	100,000	100,000	100,000	100,000	0	0
Total General Fund Tax Extensions	<u>1,121,094</u>	<u>1,125,448</u>	<u>1,131,628</u>	<u>1,841,341</u>	<u>1,956,705</u>	<u>2,060,018</u>	<u>2,179,845</u>	<u>2,467,581</u>	<u>2,994,981</u>	<u>3,259,845</u>
Special Revenue Funds										
Civil Defense	10,144									
Parks	26,083	35,717	38,029	39,404	36,803	37,802	38,338	38,090	37,000	35,433
Band	13,042	13,976	13,228	14,329	14,721	13,231	13,418	14,033	14,389	14,590
IMRF	340,534	386,674	410,053	431,656	450,832	472,521	496,479	495,167	495,395	496,063
Library	331,840	349,404	350,529	356,431	375,388	385,577	486,894	529,248	567,340	1,290,182
Special Service Area No 1	106,407	107,089	106,969	79,797	118,544	117,116	118,376	101,065	113,242	117,666
Special Service Area No 2	2,860	6,010	6,086	6,033	3,025	3,009	3,009	3,007	3,030	3,050
Special Service Area No 3	0	0	0	0	0	0	0	0	0	<u>52,750</u>
Total Special Revenue Funds	<u>830,910</u>	<u>898,869</u>	<u>924,894</u>	<u>927,650</u>	<u>999,313</u>	<u>1,029,256</u>	<u>1,156,514</u>	<u>1,180,610</u>	<u>1,230,396</u>	<u>2,009,734</u>
Fiduciary Funds										
Firemen's Pension	276,775	315,240	378,638							
Police Pension	<u>157,950</u>	<u>175,478</u>	<u>211,640</u>							
Total Fiduciary Fund Extensions	<u>434,725</u>	<u>490,719</u>	<u>590,278</u>							
Debt Service Funds										
GO Bonds Series 2003A										101,698
GO Bonds Series 2000A							310,539	714,575	345,864	346,002
GO Bonds Series 1999A					268,659	291,678	291,370	782,056	758,245	799,663
GO Bonds Series 1998A					318,343	303,411	302,871	583,682	590,947	612,699
GO Bonds Series 1998				127,168	160,091	179,894		107,452	95,174	67,492
GO Bonds Series 1997			297,319	440,612	397,469	484,706	484,978	353,924	418,861	460,938
GO Bonds Series 1995		291,002	346,737	222,097	220,816	213,654	207,026	204,785	193,883	212,712
GO Bonds Series 1994	599,834	379,990	628,709	718,233						
GO Bonds Series 1993	77,365	75,752								
GO Bonds Series 1992	607,639	635,550	757,661	689,576	822,539	813,660	839,605			
GO Bonds Series 1986	<u>497,534</u>	<u>499,829</u>								
Total Debt Service Funds Extensions	<u>1,782,372</u>	<u>1,882,123</u>	<u>2,030,426</u>	<u>2,197,686</u>	<u>2,187,917</u>	<u>2,287,003</u>	<u>2,436,389</u>	<u>2,746,474</u>	<u>2,402,973</u>	<u>2,601,206</u>
Total Extensions	<u>\$4,169,101</u>	<u>\$4,397,159</u>	<u>\$4,677,226</u>	<u>\$4,966,677</u>	<u>\$5,143,935</u>	<u>\$5,376,277</u>	<u>\$5,772,748</u>	<u>\$6,394,665</u>	<u>\$6,628,350</u>	<u>\$7,870,785</u>
Total Collections										
General Fund	\$1,137,030	\$1,118,143	\$1,144,987	\$1,818,919	\$1,923,539	\$2,030,902	\$2,156,996	\$2,434,613	\$3,066,754	
Civil Defense Fund	10,240									
Park Fund	26,333	35,310	38,116	38,776	36,070	37,215	37,846	37,509	36,564	
Band Fund	13,166	13,817	13,258	14,100	14,428	13,026	13,249	13,821	14,217	
MRF	343,787	382,272	410,985	424,771	441,860	465,207	490,109	487,621	489,556	
Firemen's Pension Fund	279,418	311,652	379,498							
Police Pension Fund	159,459	173,481	212,121							
Library Fund	338,248	353,328	356,849	349,514	365,000	379,610	480,755	521,315	560,193	
Special Service Area No. 1	111,181	110,347	105,671	150,944	118,732	108,258	118,518	101,146	112,465	
Special Service Area No. 2	2,853	5,951	6,102	6,012	3,017	3,008	3,009	3,009	3,031	
Debt Service Funds	<u>1,799,394</u>	<u>1,860,699</u>	<u>2,034,874</u>	<u>2,162,807</u>	<u>2,144,371</u>	<u>2,251,606</u>	<u>2,405,125</u>	<u>2,704,603</u>	<u>2,374,663</u>	
Total Collected	<u>\$4,221,109</u>	<u>\$4,365,000</u>	<u>\$4,702,461</u>	<u>\$4,965,843</u>	<u>\$5,047,017</u>	<u>\$5,288,832</u>	<u>\$5,705,607</u>	<u>\$6,303,637</u>	<u>\$6,657,443</u>	
Percent of Extensions Collected	<u>101.2%</u>	<u>99.3%</u>	<u>100.5%</u>	<u>99.9%</u>	<u>98.1%</u>	<u>98.4%</u>	<u>98.8%</u>	<u>98.6%</u>	<u>100.4%</u>	

City of Kankakee
Assessed Valuation and Estimated Actual Value of Taxable Property (Unaudited)
Levy Years 1994 - 2003

Levy Year	Residential	Commercial	Industrial	Farm	Railroad	Valuation, City of Kankakee		Ratio Assessed Actual
						Assessed	Actual	
2003	\$140,737,615	\$64,576,073	\$21,167,724	\$ 505,454	\$ 1,366,946	\$228,353,812	\$685,061,436	33.1
2002	138,201,636	64,106,550	21,289,432	478,488	1,369,432	225,445,538	676,336,614	33.1
2001	133,996,738	63,390,332	20,627,505	507,987	1,344,350	219,866,912	659,600,736	33.1
2000	127,561,655	63,892,456	19,260,964	336,545	1,326,195	212,377,815	637,133,445	33.1
1999	126,783,784	65,471,979	19,095,750	400,729	1,415,246	213,167,488	639,502,464	33.1
1998						207,304,468	621,913,404	33.1
1997						203,062,460	609,187,380	33.1
1996	108,868,708	63,170,617	17,826,834	265,098	1,167,622	191,298,879	573,896,637	33.1
1995	102,252,251	62,781,501	11,635,829	219,390	1,118,117	178,007,088	534,021,264	33.1
1994	93,404,890	59,783,810	11,098,845	838,283	1,122,312	166,248,140	498,744,420	33.1

Note: State law prescribes an assessment ration of 33% of actual value.

City of Kankakee, Illinois
Property Tax Rates - Per \$100 Assessed Valuation. Direct and Overlapping Government (Unaudited)
Levy Years 1994 - 2003

Levy Year	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
General Fund:										
General Corporate	\$0.290	\$0.271	\$0.255	\$0.236	\$0.230	\$0.224			\$0.010	\$0.010
Fire Protection	0.135	0.126	0.119	0.110	0.108	0.105	\$0.103	\$0.099	0.108	0.106
Police Protection	0.103	0.097	0.092	0.085	0.083	0.081	0.080	0.076	0.083	0.082
Firemen's Pension				0.250	0.280	0.305	0.303	0.384	0.426	0.473
Police Pension				0.139	0.156	0.170	0.228	0.268	0.342	0.412
School Crossing Guard	0.014	0.014	0.014	0.013	0.013	0.013	0.013	0.012	0.013	0.012
Liability Insurance	0.155	0.145	0.137	0.127	0.124	0.124	0.343	0.328	0.460	0.454
Audit	0.018	0.017	0.016	0.015	0.015	0.015	0.015	0.014	0.015	0.015
Road & Bridge	0.059	0.055	0.051	0.053	0.054	0.053	0.052	0.050	0.049	0.049
Total General Fund	0.774	0.725	0.684	1.028	1.063	1.090	1.137	1.231	1.506	1.613
Special Revenue Funds										
Civil Defense	0.007									
Parks	0.018	0.023	0.023	0.022	0.020	0.020	0.020	0.019	0.018	0.017
Band	0.009	0.009	0.008	0.008	0.008	0.007	0.007	0.007	0.007	0.007
IMRF	0.235	0.249	0.248	0.241	0.245	0.250	0.259	0.247	0.241	0.238
Library	0.229	0.225	0.212	0.199	0.204	0.204	0.254	0.264	0.276	0.619
Special Service Area No 1	2.000	2.000	2.000	2.000	2.000	2.000	2.000	2.000	2.000	2.000
Special Service Area No 2	0.060	0.122	0.116	0.108	0.055	0.053	0.053	0.051	0.050	0.048
Special Service Area No 3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	1.249
Total Special Revenue Funds	2.558	2.628	2.607	2.578	2.532	2.534	2.593	2.588	2.592	4.178
Fiduciary Funds										
Firemen's Pension	0.191	0.203	0.229							
Police Pension	0.109	0.113	0.128							
Total Fiduciary Fund	0.300	0.316	0.357							
Debt Service Funds										
GO Bonds Series 2000A							0.162	0.356	0.168	0.173
GO Bonds Series 1999A					0.146	0.154	0.152	0.390	0.369	0.399
GO Bonds Series 1998A					0.173	0.161	0.158	0.291	0.288	0.306
GO Bonds Series 1998				0.071	0.087	0.096		0.054	0.046	0.034
GO Bonds Series 1997			0.180	0.246	0.216	0.256	0.253	0.177	0.204	0.230
GO Bonds Series 1995		0.187	0.210	0.124	0.120	0.113	0.108	0.102	0.094	0.106
GO Bonds Series 1994	0.414	0.245	0.380	0.401						
GO Bonds Series 1993	0.054	0.049								
GO Bonds Series 1992	0.419	0.409	0.458	0.385	0.447	0.430	0.438			
GO Bonds Series 1986	0.343	0.322	-	-	-	-	-	-	-	-
Total Debt Service Funds	1.230	1.212	1.228	1.227	1.189	1.210	1.271	1.370	1.169	1.248
Total City	4.862	4.881	4.876	4.833	4.784	4.834	5.001	5.189	5.267	7.039
Overlapping Units										
Kankakee Township	0.666	0.647	0.625	0.696	0.602	0.525	0.521	0.509	0.501	0.502
School District No 111	4.626	4.526	4.810	4.678	4.688	4.636	4.667	4.613	4.577	4.620
Kankakee Valley Airport Authority	0.056	0.060	0.086	0.054	0.071	0.067	0.061	0.064	0.056	0.051
Kankakee Valley Park District	0.547	0.530	0.611	0.591	0.580	0.576	0.580	0.566	0.564	0.568
Kankakee County Forest Preserve District	0.051	0.051	0.058	0.056	0.055	0.056	0.058	0.059	0.060	0.060
Kankakee County	0.848	0.843	0.886	0.882	0.873	0.863	0.881	0.877	0.874	0.881
Kankakee Community College Dist #520	0.229	0.221	0.216	0.213	0.209	0.208	0.208	0.238	0.280	0.311
Total Overlapping Units	7.023	6.878	7.292	7.170	7.078	6.931	6.976	6.926	6.912	6.993
Overall Tax Rate	\$11.885	\$11.759	\$12.168	\$12.003	\$11.862	\$11.765	\$11.977	\$12.115	\$12.179	\$14.032

City of Kankakee, Illinois
Special Assessment Collections (Unaudited)
Fiscal Years 1995 - 2004

Fiscal Year	Assessments Receivable Beginning of Year	Principal Payments	Assessments Receivable End of Year
2004	\$22,643	\$0	\$22,643
2003	22,643	0	22,643
2002	22,643	0	22,643
2001	22,799	156	22,643
2000	23,361	562	22,799
1999	24,189	828	23,361
1998	25,072	883	24,189
1997	26,035	1,215	25,072
1996	38,028	11,993	26,035
1995	47,810	9,782	38,028

City of Kankakee, Illinois
Ratio Net Direct General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita (Unaudited)
Levy Years 1994 - 2003

Levy Year	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Population	<u>29,859</u>	<u>29,859</u>	<u>29,859</u>	<u>29,859</u>	<u>29,859</u>	<u>29,859</u>	<u>27,491</u>	<u>27,491</u>	<u>27,491</u>	<u>27,491</u>
Assessed Valuation - City of Kankakee (in thousands)	<u>\$166,248</u>	<u>\$178,007</u>	<u>\$191,299</u>	<u>\$203,062</u>	<u>\$207,304</u>	<u>\$213,167</u>	<u>\$212,378</u>	<u>\$219,667</u>	<u>\$226,446</u>	<u>\$228,354</u>
Assessed Valuation - Special Service Area No 1 only	<u>\$6,547,121</u>	<u>\$6,810,670</u>	<u>\$6,811,327</u>	<u>\$4,896,373</u>	<u>\$8,412,622</u>	<u>\$8,452,746</u>	<u>\$8,146,894</u>	<u>\$7,293,620</u>	<u>\$7,890,728</u>	<u>\$8,128,808</u>
Assessed Valuation - Special Service Area No 2 only	<u>\$4,786,187</u>	<u>\$4,928,030</u>	<u>\$5,246,142</u>	<u>\$5,586,682</u>	<u>\$5,500,292</u>	<u>\$5,677,306</u>	<u>\$5,677,067</u>	<u>\$5,895,157</u>	<u>\$6,080,026</u>	<u>\$6,353,861</u>
Assessed Valuation - Special Service Area No 3 only									<u>\$4,023,395</u>	<u>\$4,223,348</u>
Net General Bonded Debt:										
General Obligation Debt										
1986A Bonds	\$925,000	\$480,000								
1990 TIF #1	2,680,000	2,530,000	\$2,370,000	\$2,180,000	\$1,975,000	\$1,725,000				
1992 Bonds Series A, B and C	11,615,000	11,270,000	10,885,000	9,955,000	8,980,000	7,970,000	\$6,905,000			
1993 Corporate Purpose Bonds	630,000	590,000								
1994 Corporate Purpose Bonds	7,000,000	7,000,000	7,000,000	6,750,000						
1995 Corporate Purpose Bonds		3,865,000	3,680,000	3,410,000	3,255,000	3,095,000	2,905,000	2,715,000	2,525,000	835,000
1997 Corporate Purpose Bonds			7,200,000	7,180,000	7,110,000	7,080,000	6,960,000	6,835,000	6,835,000	855,000
1998 Corporate Purpose Bonds				3,265,000	3,265,000	3,265,000	3,245,000	3,210,000	3,160,000	3,100,000
1998A Corporate Purpose Bonds					6,735,000	6,735,000	6,735,000	6,735,000	6,455,000	6,155,000
1999A Corporate Purpose Bonds					6,785,000	6,785,000	6,785,000	6,785,000	6,295,000	5,810,000
2000A Corporate Purpose Bonds							4,590,000	4,560,000	4,040,000	3,865,000
2000B Corporate Purpose Bonds							1,515,000	1,195,000	830,000	425,000
2001A Bonds Series A								3,450,000	3,375,000	3,295,000
2001A Bonds Series B								450,000	390,000	330,000
2001A Bonds Series C								450,000	390,000	330,000
2003A Bonds										3,960,000
2003B Bonds										4,860,000
2003 Bonds										6,000,000
2004 Bonds										<u>9,600,000</u>
Total General Obligation Debt	<u>22,850,000</u>	<u>25,735,000</u>	<u>31,135,000</u>	<u>32,740,000</u>	<u>38,105,000</u>	<u>36,655,000</u>	<u>39,840,000</u>	<u>36,385,000</u>	<u>34,295,000</u>	<u>49,420,000</u>
Revenue Debt										
Sewerage Revenue Bonds	24,665,000	24,085,000	24,085,000	22,820,000	7,140,000	6,925,000	6,665,000	10,425,000	9,995,000	9,545,000
Special Assessment Bonds	<u>28,500</u>									
Total Revenue Bonds	<u>24,693,500</u>	<u>24,085,000</u>	<u>24,085,000</u>	<u>22,820,000</u>	<u>7,140,000</u>	<u>6,925,000</u>	<u>6,665,000</u>	<u>10,425,000</u>	<u>9,995,000</u>	<u>9,545,000</u>
Total Direct Debt	<u>47,543,500</u>	<u>49,820,000</u>	<u>55,220,000</u>	<u>55,560,000</u>	<u>45,245,000</u>	<u>43,580,000</u>	<u>46,505,000</u>	<u>46,810,000</u>	<u>44,290,000</u>	<u>58,965,000</u>
Less:										
Revenue Debt	24,693,500	24,085,000	24,085,000	22,820,000	7,140,000	6,925,000	6,665,000	10,425,000	9,995,000	9,545,000
Self Supporting 1990 TIF Debt	2,680,000	2,530,000	2,370,000	2,180,000	1,975,000	1,725,000				
Self Supporting 1992A TIF Debt	1,420,000	1,350,000	1,280,000	1,205,000	1,125,000	1,045,000	955,000			
Self Supporting 1995 TIF Debt		1,765,000	1,765,000	1,755,000	1,745,000	1,735,000	1,695,000	1,655,000	1,615,000	1,590,000
Self Supporting 1998 TIF Debt				3,265,000	3,265,000	3,265,000	3,245,000	3,210,000	3,160,000	3,100,000
Self Supporting 2000 TIF Debt							1,515,000	1,195,000	830,000	425,000
Self Supporting TIF Debt 2001-3								1,310,000	1,115,000	11,775,000
	<u>28,793,500</u>	<u>29,730,000</u>	<u>29,500,000</u>	<u>31,225,000</u>	<u>15,250,000</u>	<u>14,695,000</u>	<u>14,075,000</u>	<u>17,795,000</u>	<u>16,715,000</u>	<u>26,435,000</u>
Net Direct Debt	<u>\$18,750,000</u>	<u>\$20,090,000</u>	<u>\$25,720,000</u>	<u>\$24,335,000</u>	<u>\$29,995,000</u>	<u>\$28,885,000</u>	<u>\$32,230,000</u>	<u>\$29,015,000</u>	<u>\$27,575,000</u>	<u>\$32,530,000</u>
Ratio of Debt to Assessed Value	<u>\$0.113</u>	<u>\$0.113</u>	<u>\$0.134</u>	<u>\$0.120</u>	<u>\$0.145</u>	<u>\$0.136</u>	<u>\$0.152</u>	<u>\$0.132</u>	<u>\$0.122</u>	<u>\$0.142</u>
Ratio of Debt Per Capita	<u>\$627.95</u>	<u>\$672.83</u>	<u>\$861.36</u>	<u>\$815.00</u>	<u>\$1,004.55</u>	<u>\$967.36</u>	<u>\$1,172.38</u>	<u>\$1,055.44</u>	<u>\$1,003.06</u>	<u>\$1,183.30</u>

City of Kankakee, Illinois
Statement of Direct and Overlapping Debt (Unaudited)
April 30, 2004

<u>Jurisdiction</u>	<u>Outstanding Debt</u>	<u>Estimate Applicable to City Percent</u>	<u>Amount</u>
Direct			
City of Kankakee ⁽¹⁾	\$ 32,530,000	100.00%	\$ 32,530,000
Overlapping ⁽²⁾			
Kankakee School District No. 111	24,531,504	67.50%	16,558,765
Herscher Community Unit School District No. 2	4,780,000	1.17%	55,926
Kankakee Valley Airport Authority	1,480,000	38.40%	568,320
Kankakee Valley Park District	580,000	67.43%	391,094
School District No. 61	1,630,000	5.45%	88,835
High School District No. 307	2,359,154	2.03%	47,891
Community Unit School District No. 4 (Clifton)	13,488,794	0.18%	24,280
Bourbonnais Park District	150,000	2.20%	3,300
Community College 520	1,460,000	12.03%	175,638
Kankakee County	<u>11,090,000</u>	15.65%	<u>1,735,585</u>
Total Overlapping Debt	<u>61,549,452</u>		<u>19,649,634</u>
Total Net Direct and Overlapping Debt	<u>\$ 94,079,452</u>		<u>\$ 52,179,634</u>
Per Capita Direct and Overlapping Debt			<u>\$ 1,898</u>
2003 Equalized Assessed Valuation (EAV)			\$ 228,353,812
2003 Estimated Full Valuation			\$ 685,061,436
Population - Current Estimate			27,491
Full Valuation per Capita			\$ 24,919

<u>Debt Ratios</u>			
	<u>% EAV</u>	<u>% Full Value</u>	<u>Per Capita</u>
Net Direct Debt: \$ 32,530,000	14.25%	4.75%	\$ 1,183
Net Direct and Overlapping Debt: \$ 52,179,634	22.85%	7.62%	\$ 1,898

(1) Net direct debt is exclusive of self-supporting debt

(2) Source: City of Kankakee Official Statement for April 2004 Financing after issuance of those bonds

City of Kankakee, Illinois
Ratio of Debt Service Expenditures to General Expenditures (Unaudited)¹
April 30, 2004

<u>Fiscal Year</u>		<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>Total General Expenditures</u>	<u>Debt Service/ Gen. Exps.</u>
2004	\$	1,250,000	\$ 1,370,655	\$ 2,620,655	\$ 16,837,603	15.56%
2003		1,510,000	1,319,560	2,829,560	16,792,052	16.85%
2002		1,510,000	1,513,274	3,023,274	15,337,343	19.71%
2001		1,245,000	1,462,006	2,707,006	14,358,541	18.85%
2000		1,110,000	1,498,396	2,608,396	14,761,796	17.67%
1999		1,460,000	1,513,578	2,973,578	13,517,521	22.00%
1998		1,385,000	1,333,209	2,718,209	12,725,713	21.36%
1997		1,020,000	1,151,822	2,171,822	11,994,398	18.11%
1996		760,000	1,297,252	2,057,252	11,330,556	18.16%
1995		600,000	765,585	1,365,585	10,617,304	12.86%
1994		525,000	798,396	1,323,396	10,589,042	12.50%

¹ Excludes self supporting TIF debt and component unit debt

Computation of Legal Debt Margin (Unaudited)
April 30, 2004

The City of Kankakee, Illinois is a "Home Rule" unit as established by the 1970 Illinois Constitution. As a Home Rule community, no statutory debt limit exists.

City of Kankakee, Illinois
Schedule of Revenue Supported Bond Coverage (Unaudited)
Fiscal Years 1995 - 2004

Fiscal Year	Revenue	Expense (1)	Available For		Interest	Total (2)	Coverage (3)
			Debt Service	Principal			
2004	\$7,919,209	\$ 7,278,870	\$ 640,339	\$450,000	\$ 457,855	\$ 907,855	0.71
2003	8,203,457	7,781,036	422,421	430,000	478,685	908,685	0.46
2002	8,598,283	7,132,763	1,465,520	510,000	393,324	903,324	1.62
2001	8,682,594	7,229,298	1,453,296	260,000	338,203	598,203	2.43
2000	8,112,628	6,222,174	1,890,454	215,000	360,361	575,361	3.29
1999	7,136,226	4,181,725	2,954,501	690,000	1,566,223	2,256,223	1.31
1998	6,395,460	4,229,555	2,165,905	650,000	1,606,848	2,256,848	0.96
1997	6,284,293	4,679,783	1,604,510	615,000	1,644,362	2,259,362	0.71
1996	6,832,514	4,636,328	2,196,186	580,000	1,679,163	2,259,163	0.97
1995	6,834,257	4,513,824	2,320,433	545,000	1,710,773	2,255,773	1.03

(1) Total expenses exclusive of interest and depreciation.

(2) For the succeeding year.

(3) Net revenues available for Debt Service divided by Debt Service payments.

City of Kankakee, Illinois
Miscellaneous Statistical & Demographic Data (Unaudited)
April 30, 2004

The City of Kankakee is located approximately 60 miles south of Chicago, and 78 miles north of Champaign. Kankakee is approximately 30 miles south of Interstate 80 on Interstate 57.

Date of Incorporation	1865	Kankakee Community College	
		Students Enrolled	3,000
Form of Government	City/Aldermanic	Olivet Nazarene University	
Population	27,491	Students Enrolled	3,873
1999 Median Family Income	\$36,428	Recreation - Park District	
1999 Median Home Value	\$73,400	Number of Parks	28
		Number of Acres	600
Average Home Sales Price	\$89,219	Health Care	
Area - Square Miles	13.5	Hospitals	
Miles of Sewers	118	Provena St. Mary's	120 Beds
Capacity	25,000,000 GPD	Riverside Medical Center	341 Beds
Present Load	12,400,000 GPD	Utilities	
Excess Capacity	12,600,000 GPD	Water	Consumers Illinois Water Co.
Number of Dwelling Units	10,965	Gas	NICOR
Fire Protection		Electric	Commonwealth Edison
Number of Stations	4	Telephone	Ameritech
Number of Firefighters	51	Cable TV	Comcast Cable Services
Police Protection		Sanitary	Kankakee Wastewater Utility
Number of Stations	1	Transportation	
Number of Police Officers	74	Railroad	Amtrak
Number of Civilian Employees	25		Canadian National
Other City Employees	200		Conrail
Education		Bus Lines	Greyhound
School District #111			River Valley Metro
Number of Primary Schools (K-3)	5	Air Service	Kankakee Valley Regional Airport
Number of Elementary Schools (4-6)	4	Enterprise Zones	Yes
Number of Secondary Schools	2	Tax Increment Financing Districts	
Students Enrolled:	5,868		Yes, 8

City of Kankakee
Property Value, Construction and Bank Deposits (Unaudited)
Fiscal Years 1995 - 2004

Fiscal Year Ending	New Construction Residential		Commercial		Repair & Remodeling		Total		Bank Deposits *	Current Property Values
	#	Value	#	Value	#	Value	#	Value		
2004	8	\$720,434	10	\$25,623,138	1,397	\$9,296,288	1,415	\$35,639,860	\$1,820,067,000	\$ 685,061,436
2003	3	462,000	16	18,070,177	1,180	12,161,363	1,199	30,693,540	1,692,024,000	676,336,614
2002	2	170,000	9	2,148,309	769	9,713,782	778	12,032,091	1,390,765,000	659,600,736
2001	5	352,600	9	6,520,250	904	6,905,559	918	13,778,409	1,326,287,000	637,133,445
2000	30	477,790	29	16,231,254	1,297	6,327,438	1,356	23,036,482	1,266,598,000	639,502,464
1999	3	176,700	20	7,368,552	1,419	10,470,374	1,442	18,015,626	1,209,839,000	621,913,404
1998	8	767,000	13	1,582,342	1,615	9,061,571	1,636	11,410,913	1,231,224,000	609,187,380
1997	49	766,194	22	3,277,641	2,186	11,987,280	2,257	16,031,115	1,260,098,000	573,896,637
1996	4	220,000	15	12,464,052	1,015	19,878,156	1,034	31,562,208	1,004,525,000	534,021,264
1995	57	809,624	26	4,017,157	709	12,443,573	792	17,270,354	961,863,000	498,744,420

* Bank deposit figures from FDIC web site; includes all of Kankakee County

City of Kankakee, Illinois
Principal Taxpayers (Unaudited)
April 30, 2004

<u>Name</u>	<u>Product/Service</u>	<u>2003 EAV</u>
Cognis Corporation	Chemicals	\$6,417,684
Great Oak LLC	Shopping Center	4,052,572
Riverside Senior Living Center	Elderly Housing	2,793,759
Armstrong World Industries, Inc.	Vinyl Tile	2,775,139
Riverwoods Association	Elderly Housing	2,558,509
Space Center Chicago Inc.	Food Production	2,556,417
GNB Industrial Battery	Industrial Batteries	1,938,391
Cor Unum	Elderly Housing	1,897,377
Heritage Executive Center, Inc.	Office Building	1,781,822
Edward Streit	Apartment Buildings	1,774,080
Total		<u>\$28,545,750</u>
	2003 EAV	<u>\$228,353,812</u>
	Percent of Total EAV	<u>12.50%</u>

Source: Kankakee County Supervisor of Assessments

City of Kankakee, Illinois
Largest Regional Employers (Unaudited)
April 30, 2004

<u>Name</u>	<u>Product/Service</u>	<u>Approximate No. of Employees</u>
Riverside Healthcare	Hospital	2,000
Shapiro Developmental Center	Hospital	1,300
CIGNA (Connecticut General Insurance)	Insurance Claims Processing	1,111
Aventis Behring	Pharmaceuticals	900
St. Mary's Hospital (Provena)	Hospital	800
Baker & Taylor Company	Book Distribution	800
Kankakee School District No 111	Education	797
Sears Logistics Services	Midwest Product Distribution	675
Kankakee Community College	Education	500
Kankakee County Government	Government	491
Burns International Security Services	Industrial Security Services	400
K-Mart Distribution Center	Midwest Product Distribution	375
City of Kankakee	City Government	373
Armstrong World Industries, Inc.	Flooring	329
Olivet Nazarene University	Private University	320

Sources: Kankakee County Economic Development Council
Phone canvas
2004 Illinois Manufacturers Directory
2004 Illinois Services Directory

Unemployment Data (Unaudited)

<u>Year</u>	<u>Kankakee</u>	<u>Kankakee County</u>	<u>State of Illinois</u> %
September 2004 (1)	11.5 %	7.3 %	6.0
2003	12.1	7.3	6.9
2002	11.0	6.5	6.3
2001	9.4	5.6	5.5
2000	8.0	4.8	4.4
1999	8.7	5.4	4.6
1998	9.0	5.6	4.4
1997	9.2	5.6	4.7
1996	10.0	5.8	5.3
1995	10.5	6.4	5.2

(1) Preliminary rate for month of September 2004

Source: Illinois Bureau of Employment Security

Single Audit Section



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PARTNERS

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Michael V. Gray, C.P.A.
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Stephen P. Schmidt, C.P.A.

**REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

The Mayor and City Council
City of Kankakee
Kankakee, Illinois 60901

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Kankakee, Illinois, as of and for the year ended April 30, 2004, which collectively comprise the City of Kankakee, Illinois' basic financial statements and have issued our report thereon dated September 30, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Kankakee, Illinois' basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of basic financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

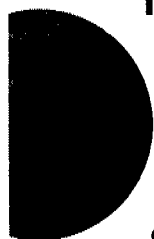
In planning and performing our audit, we considered the City of Kankakee, Illinois' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be

detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, and others within the organization, City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Payne, Gray, Groskreutz & Schmidt

September 30, 2004



**PAYNE
GRAY
GROSKREUTZ
& SCHMIDT**

ACCOUNTANTS AND CONSULTANTS

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**REPORT ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND
INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A-133**

The Mayor and City Council
City of Kankakee
Kankakee, Illinois 60901

Compliance

We have audited the compliance of the City of Kankakee, Illinois, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that are applicable to each of its major federal programs for the year ended April 30, 2004. The City of Kankakee, Illinois' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Kankakee, Illinois' management. Our responsibility is to express an opinion on the City of Kankakee, Illinois' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Kankakee, Illinois' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Kankakee, Illinois' compliance with those requirements.

In our opinion, the City of Kankakee, Illinois, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended April 30, 2004.

Internal Control Over Compliance

The management of the City of Kankakee, Illinois, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Kankakee, Illinois' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, others within the organization, City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Payne, Gray, Groskreutz & Schmidt

September 30, 2004

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CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended April 30, 2004

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number
<u>MAJOR PROGRAMS</u>		
<u>Department of Housing and Urban Development</u>		
Community Development Block Grant:		
Program year 2003	14.218	B-02-MC-17-0026
Program year 2004	14.218	B-03-MC-17-0026
Jobs Bill Grant:		
Program year 1983	12.218	N/A
Lead-Based Paint Hazard Control Program	14.900	ILLHBO155-00
Community Development Initiative/Section 108 Loan Gaurantee	14.246	B-96-MC-17-0026
Total Department of Housing and Urban Development		
<u>OTHER PROGRAMS</u>		
<u>Department of Labor</u>		
Passed-through Senior Service America Education and Research Center:		
Senior Aides Program - FY 03	17.235	AD-02-55
Senior Aides Program - FY 04	17.235	AD-03-55
Total Department of Labor		
<u>Department of Justice</u>		
PPSE Grant - Volunteers In Police Service	16.592	2003CKWX0320
COPS MORE Grant	16.726	96-CM-WX-1016
Local Law Enforcement Block Grants Program	16.592	2001-LB-BX-1297
Local Law Enforcement Block Grants Program	16.592	2002-LB-BX-1955
Local Law Enforcement Block Grants Program	16.592	2003-LB-BX-0595
Bullet Proof Vest Partnership Program	16.607	2003BUBX03014677
Passed-through Kankakee Area Metro Enforcement Group:		
Expanding Multi-jurisdictional Narcotics Unit	16.579	402005
Expanding Multi-jurisdictional Narcotics Unit	16.579	403005
Total Department of Justice		

<u>Program or Award Amount</u>	<u>Program Balance May 1, 2003</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Program Balance April 30, 2004</u>
\$ 789,000		\$ 51,395	\$ 51,395	\$ -0-
709,000		451,163	451,163	-0-
219,000	\$ 7,725			7,725
5,999,981		1,095,453	1,095,453	-0-
1,000,000	(93,367)	55,820		(37,547)
	<u>(85,642)</u>	<u>1,653,831</u>	<u>1,598,011</u>	<u>(29,822)</u>
178,916	2,452	48,551	51,003	-0-
212,175		140,171	140,171	-0-
	<u>2,452</u>	<u>188,722</u>	<u>191,174</u>	<u>-0-</u>
50,000		4,395	4,395	-0-
306,350	56,358		56,358	-0-
176,153	3,184		3,184	-0-
97,000	97,000		89,250	7,750
94,832		94,832		94,832
2,705		2,705	2,705	-0-
56,892	(27,091)	56,892	29,801	-0-
			2,709	(2,709)
	<u>129,451</u>	<u>158,824</u>	<u>188,402</u>	<u>99,873</u>

(Continued)

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)
For the year ended April 30, 2004

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number
<u>Department of Housing and Urban Development</u>		
Passed-through Illinois Housing Development Authority:		
Homebuyers Program	14.239	H-H-687
Single Family Owner-Occupied Rehab Program	14.239	H-O-708
Small Rental Properties Program	14.235	H-S-670
Total Department of Housing and Urban Development		
<u>Department of Homeland Security</u>		
Firefighting Vehicle	83.554	EMW-2003-FG-08576
<u>Department of Treasury</u>		
Gang Resistance Education and Training	21.053	ATC03000138
<u>Institute of Museum and Library Services</u>		
Passed-through Illinois Office of the Secretary of State:		
Library Services and Technology Grant	45.310	N/A
Total Other Programs		
Total Federal Awards		

<u>Program or Award Amount</u>	<u>Program Balance May 1, 2003</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Program Balance April 30, 2004</u>
\$ 160,440		\$ 105,223	\$ 105,223	\$ -0-
183,742		183,742	183,742	-0-
157,500		157,500	157,500	-0-
	<u>\$ 0</u>	<u>446,465</u>	<u>446,465</u>	<u>-0-</u>
175,950	<u>-0-</u>	<u>87,975</u>	<u>87,975</u>	<u>-0-</u>
29,110	<u>-0-</u>	<u>29,110</u>	<u>29,110</u>	<u>-0-</u>
41,812	1,963	26,200	28,163	-0-
	<u>133,866</u>	<u>937,296</u>	<u>971,289</u>	<u>99,873</u>
	<u>\$ 48,224</u>	<u>\$2,591,127</u>	<u>\$2,569,300</u>	<u>\$ 70,051</u>

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended April 30, 2004

SECTION I - SUMMARY OF AUDIT RESULTS:

Financial Statements

1. The auditors' report, dated September 30, 2004, expresses an unqualified opinion on the general purpose financial statements of the City of Kankakee.
2. No reportable conditions or material weaknesses on internal control relating to the audit of the general purpose financial statements of the City of Kankakee are reported.
3. No instances of noncompliance material to the general purpose financial statements of the City of Kankakee were disclosed during the audit.

Federal Awards

1. No reportable conditions on internal control relating to the audit of the major federal award programs of the City of Kankakee are reported.
2. The auditors' report on compliance for the major federal award programs for the City of Kankakee expresses an unqualified opinion on all major federal programs.
3. No audit findings relating to the major federal award programs of the City of Kankakee are reported.
4. Community Development Block Grant (CFDA #14.218) and Lead-Based Paint Hazard Control Program (CFDA #14.900) were tested as major programs for the year ended April 30, 2004.
5. The threshold for distinguishing Types A and B programs was \$300,000.
6. The City of Kankakee did not qualify as a low-risk auditee.

SECTION II - FINANCIAL STATEMENT FINDINGS:

No findings are reported.

SECTION III - SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS:

No findings were reported.